InMed Pharmaceuticals Inc.

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

Year Ended

June 30, 2020

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The following Management's Discussion and Analysis ("MD&A") is intended to assist the reader to assess material changes in the financial condition and results of operations of InMed Pharmaceuticals Inc. ("InMed" or the "Company") as at June 30, 2020 and for the year then ended in comparison to the year ended June 30, 2019. This MD&A should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2020 and June 30, 2019 and related notes.

All financial results presented in this MD&A are expressed in Canadian dollars unless otherwise indicated. The effective date of this MD&A is September 8, 2020.

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

Cautionary Statement on Forward-Looking Information

This discussion may contain forward-looking statements within the meaning of the Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, and forward looking information within the meaning of Canadian securities laws (collectively, "forward-looking statements"). When used in this MD&A, the words *"plan," "expect," "believe," "intend,"* and similar expressions generally identify forward-looking statements. These statements reflect the Company's current expectations and estimates about the markets in which the Company operates and management's beliefs and assumptions regarding these markets. Investors are cautioned that all forward-looking statements involve risks and uncertainties. Forward-looking statements in this report include, without limitation: delivering new therapeutic alternatives to patients that may benefit from cannabinoid-based medicines; developing new cannabinoid-based treatments for multiple diseases; the integrative cannabinoid synthesis technology and drug development pipeline being fundamental value drivers; the targeted benefits of IntegraSyn™; completing the next steps in the further development of IntegraSyn™; the potential impact of INM-755 on the symptoms and underlying disease of epidermolysis bullosa including by increasing certain keratin production in the skin; conducting key preclinical pharmacology and toxicology (safety) studies; evaluation and treatment period of the 755-102 trial at the Centre for Human Drug Research in the Netherlands; announcement of the final results from the first Phase 1 trial (755-101-HV) trial and timing of the final results from 755-102; the expectation that regulatory filings seeking permission to commence a Phase 1-2 global, multi-center trial in EB patients will follow after planned Phase 1 safety studies; the Company's ability to successfully optimize, scale-up and combine the components of its IntegraSyn™ manufacturing process for cannabinoids to produce cannabinoids in a cost-effective manner for use in pharmaceutical products; continued development, in conjunction with contract development and manufacturing organizations, the IntegraSyn™ approach to cannabinoid production; the Company's manufacturing approach benefiting its drug candidate pipeline, along with other pharmaceutical companies and having further commercial potential from non-pharmaceutical companies and its potential to open up significant revenue opportunities ahead of our clinical development candidates; completing the next steps for the INM-088 including selecting an appropriate delivery formulation for INM-088 in the near term; filing additional patent applications; expecting that INM-088 will be advanced up to and including the initiation of required studies for filing potential regulatory applications; the potential for INM-088 to provide neuroprotection and to reduce intraocular pressure of the eye; the impact of the COVID-19 pandemic on the Company's operations; the ability to successfully remediate the deficiencies in its internal controls over financial reporting; the availability of key personnel; the belief that the Company has cash resources to fund its base operations until at least into the first quarter of fiscal 2022; and securing the ongoing necessary funding required to develop drug therapies, scale-up of the IntegraSyn™ process, and prosecute patent applications.

The material factors and assumptions used to develop the forward-looking statements contained in this MD&A are based on numerous assumptions regarding, among other things: the ability to successfully optimize necessary cannabinoid manufacturing production processes; the continued results of the Company's research and development; favourable regulatory reviews; establishing demand for the

Company's products; the ability to find suitable financing and strategic partners; the continued availability of key personnel; and management's ability to maintain the Company as a going concern to further develop prescription drug therapies through research and development into the pharmacology of cannabinoids. While we consider these assumptions to be reasonable, these assumptions are inherently subject to significant business, economic, competitive, market and social uncertainties and contingencies.

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

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

Overall Performance and Operations

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

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

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

Research and Development

InMed is a clinical stage pharmaceutical company developing a pipeline of cannabinoid-based medications, initially focused on the therapeutic benefits of cannabinol ("CBN"), in diseases with high unmet medical need. The Company is dedicated to delivering new therapeutic alternatives to patients that may benefit from cannabinoid-based medicines. InMed's integrative cannabinoid synthesis technology and drug development pipeline are the fundamental value drivers of the Company. InMed continues to work on the development of new cannabinoid-based treatments for multiple diseases, with a primary focus on dermatology and ocular diseases.

Highlights during the year ended June 30, 2020, and as the date hereof include:

INM-755

Our lead product, INM-755, is being developed as a treatment for the rare disease epidermolysis bullosa ("EB"), a serious and severe genetic skin disorder. EB results in very fragile skin which can blister easily. One form of EB, EB Simplex, is a result of a defect in anchoring between the epidermis and the dermis, resulting in severe skin fragility that can range from mild to fatal. There is no cure or approved treatments for the disease although several new therapies are under investigation. Wound care, inflammation, pain

and itch management, antimicrobial interventions and preventative bandaging are currently the only treatment options available.

INM-755 is a proprietary, topical CBN cream product candidate targeted as a therapy in EB and other potential dermatological applications. It has been specifically designed with the intent to: (i) possibly improve skin integrity in a subset of EB Simplex patients through keratin upregulation, and (ii) to treat major symptoms of the disease in all patients with EB. Preclinical data demonstrates that INM-755 may have an impact on certain EB symptoms. These disease hallmarks are key therapeutic targets for an effective treatment in EB patients as well as other dermatological conditions. Additionally, our data indicates that INM-755 may potentially have an impact on the underlying disease severity by increasing certain keratin production in the skin.

Key Milestones for the EB Program:

- November 5, 2019 – The Company submitted a clinical trial application to initiate a Phase I human clinical trial for INM-755 in healthy volunteers in the Netherlands.

- December 9, 2019 – The Company received clinical trial application approval for study 755-101-HV, a randomized, double-blind, vehicle- controlled Phase I study designed to evaluate the local and systemic safety, tolerability, and pharmacokinetics of INM-755 applied daily on intact skin in healthy volunteers. Two strengths of INM-755 cream, plus vehicle-only, will be evaluated in 22 adult subjects over a 14-day treatment period.

- January 20, 2020 – The Company revealed that the active ingredient in INM-755 and INM-088 is the rare cannabinoid, CBN. InMed is the first company to conduct human clinical trials with CBN. Extensive preclinical program to support the INM-755 program was exhibited at the EB2020 World Congress in London UK.

- March 10, 2020 – The Company reported completed enrollment in Study 755-101-HV and announced that treatment is expected to conclude towards the end of March 2020 and that final study results are anticipated to be announced in the second half of calendar 2020.

- March 20, 2020 – The Company provided an update on operational impact of the response to the COVID-19 pandemic which included discussions with the clinical site conducting the 755-101-HV Phase I trial in the Netherlands.

- March 24, 2020 – The Company announced the filing of a Clinical Trial Application, or "CTA", in the Netherlands to initiate a second Phase I human clinical trial for INM-755 in healthy volunteers. 755-102-HV is a randomized, double-blind, vehicle-controlled, Phase I study designed to evaluate the safety and tolerability of INM-755 cream applied daily on epidermal wounds in healthy volunteers. Two strengths of INM-755 cream will be evaluated in 8 adult subjects over a 14-day treatment period.

- April 1, 2020 – The Company announced that all subjects participating in the 755-101-HV Phase I clinical trial had completed treatment and clinical evaluation.

- April 30, 2020 – The Company announced clinical trial application approval in the Netherlands for Study 755-102-HV, a randomized, double- blind, vehicle-controlled Phase I study designed to evaluate the safety and tolerability of INM-755 (two strengths) applied daily for 14 days on epidermal wounds in 8 healthy volunteers.

- July 7, 2020 – The Company announced initiation of enrollment of the second Phase I healthy volunteer study (755-102-HV). The 755-102-HV clinical trial is a randomized, double-blind, vehicle-controlled, Phase I study designed to evaluate the safety and tolerability of INM-755 cream applied daily on epidermal wounds in healthy volunteers. Two strengths of INM-755 cream will be evaluated in eight

adult subjects over a 14-day treatment period. As with InMed's first Phase I clinical trial with INM-755, the 755-102-HV trial is being conducted at the Centre for Human Drug Research in Leiden, the Netherlands.

IntegraSyn™

Manufacturing of pharmaceutical grade cannabinoids remains a challenge, especially for those cannabinoids that are found in only trace amounts in the cannabis plant but, nevertheless, may hold very important physiological benefits in humans. The Company recognizes that having a reliable source of pure, pharmaceutical grade starting materials for our potential products would be a critical success factor for its drug development strategy. Biosynthesis and chemical synthesis are two different approaches to synthetic manufacturing of cannabinoids. Both approaches have the same goal, which is to produce high-purity cannabinoids in a cost-effective manner. Either synthetic process may provide a reliable, consistent, scalable and compliant process versus the variability and complexity associated with the extraction and purification of the rare cannabinoids from the plant.

InMed is developing an integrative cannabinoid synthesis approach designed to produce bio-identical, economical, pharmaceutical-grade cannabinoids in a cost-efficient manner, called IntegraSyn™. The cannabinoids that will be produced from IntegraSyn™ are targeted to be bio-identical to the naturally occurring cannabinoids. The Company's manufacturing approach is designed to offer superior yield, control, consistency and quality of rare cannabinoids when compared to alternative methods. IntegraSyn™ may address the increasing pharmaceutical and other commercial demands for competitively-price cannabinoids while providing access to rare cannabinoids that are otherwise impractical to extract from the plant.

IntegraSyn™ integrates various pharmaceutical manufacturing processes to maximize yield and minimize the cost of cannabinoid synthesis. The Company utilizes proprietary, high efficiency enzymes produced via the *E. coli* biofermentation portion of the IntegraSyn™ approach for the production of a cannabinoid. InMed's enzymes are used in combination with cost-effective yet sophisticated substrates (or starting materials) to produce a cannabinoid in bulk via a biotransformation process, which is then further processed with downstream purification steps including separation, purification and drying. This cannabinoid can be inventoried in bulk and used either as a finished Active Pharmaceutical Ingredient ("API") cannabinoid product or as a starting material for other cannabinoids. This further differentiation can utilize any one of several well-established manufacturing approaches – including enzymatic biotransformation and traditional chemical synthesis – to optimize yield, time and cost.

IntegraSyn™ makes cost-efficient use of sophisticated starting materials, requires fewer costly steps from precursor substrates all the way through to end-product, and is designed as a high-yield manufacturing process. Furthermore, this manufacturing method is flexible in shifting production from one cannabinoid to another under GMP conditions. The Company's initial data demonstrated substantial increase in cannabinoid production yield per fermentation batch compared to our traditional biosynthesis method. Final cost of goods for individual cannabinoids is driven by several factors including, among others: efficiency of the enzyme(s) used; number of manufacturing steps; type of manufacturing equipment / processes used; and, final yield of the entire manufacturing process.

Targeted Benefits of IntegraSyn™:

A. Improved yields beyond traditional biosynthesis or other standard chemical manufacturing methods for various cannabinoids

B. Cost-efficient due to minimization of expensive manufacturing steps and cost-effective use of sophisticated raw materials

C. Flexible, modular approach, able to shift from production of one cannabinoid to another

D. Accessibility to rare cannabinoids which are otherwise impractical/expensive to extract from the plant

E. Scalable to meet market demand of cannabinoids for pharmaceutical products or other purposes

F. Sustainable approach with less environmental impact than plant-grow-harvest-extract-purify methods

Key Milestones for the IntegraSyn™ Program:

- **For the past several years, the Company has been developing a biosynthesis process for the manufacturing of cannabinoids through a research collaboration with the University of British Columbia ("UBC"). InMed continues to advance the production platform for the bio-fermentation of cannabinoids including the identification of optimal fermentation conditions and down-stream purification processes with third party contract manufacturing organizations. The project to optimize the fermentation conditions with the National Research Council Canada, or NRC, was completed in December 2019.**

- **On May 5, 2020 the Company announced its working relationship with the Almac Group (UK) ("Almac") on an integrated approach to augment current biosynthesis-based methods for cannabinoid production, which began in 2019. The companies have been engaged in developing a streamlined cannabinoid manufacturing process, specifically optimizing the upstream cannabinoid assembly processes as well as downstream purification processes, to achieve cost-efficient, GMP-grade active pharmaceutical ingredients for prescription-based cannabinoid medications. Almac is an international, privately-owned organization which has grown organically over the past five decades now employing over 5,600 highly skilled personnel across 18 facilities including Europe, the US and Asia.**

- **On May 19, 2020, the Company announced the filing of a key Patent Cooperation Treaty ("PCT") patent application directed to its biosynthesis platform technology for the manufacturing of pharmaceutical-grade cannabinoids. The PCT patent application entitled "Compositions and Methods for Biosynthesis of Terpenoids or Cannabinoids in a Heterologous System". This application was initially filed as two separate United States Provisional Patent applications and further addresses the enablement and maximization of cannabinoid production through optimization of the precursor substrates needed to support specific cannabinoid synthesis.**

Development activities with the Company's integrated manufacturing platform have not seen any significant negative impacts due to the COVID-19 outbreak although, given the uncertainty around the pandemic, the Company could experience delays in the future.

Next steps in the further development of IntegraSyn™, all of which are currently ongoing, include:

- **Continue to optimize and scale-up the IntegraSyn™ process to larger vessels, whereby protocols will be developed to optimize the manufacturing parameters associated with the entire process with the Almac Group (UK);**

- **Conduct analytical assays to support batch production;**

- **Scale-up process to be GMP ready;**

- **Continue efforts to optimize pathways to further diversify the number of cannabinoids produced using our technology; and**

- **Identify potential partnership opportunities.**

The Company's options for achieving GMP production capabilities as three-fold: (a) building its own dedicated manufacturing facility; (b) accessing existing manufacturing capacity via leases with third parties; or (c) licensing its process/know-how to a CDMO with existing infrastructure to produce the requisite preclinical, clinical and commercial-scale supply of its product candidates.

Other Applications of the IntegraSyn™ Approach:

While the main objective in developing InMed's IntegraSyn™ approach remains to innovate an integrative, efficient and cost-effective method for the production of cannabinoids for use in its pharmaceutical product candidates, it remains optimistic that there may exist additional business opportunities for the Company to monetize this technology including, but not limited to, supplying cannabinoid drugs to the broader pharmaceutical industry. InMed continues to consider this, and other opportunities, in order to optimize value for the Company. Success in this strategy will be largely dependent on the ability of IntegraSyn™ produced cannabinoid products to be price competitive with other technologies.

INM-088 for the Treatment of Glaucoma

CBN is the key API in the Company's second drug candidate, INM-088, which is in preclinical studies as a potential treatment for glaucoma. Glaucoma is a chronic optic neuropathy that is typically characterized by high intraocular pressure. The cause of glaucoma is understood to be inadequate or obstructed drainage of the fluid in the eye, or "aqueous humor", through a drainage membrane called the trabecular meshwork, or "TM", increasing the fluid pressure within the front part of the eye, or "anterior chamber", and subsequently leading to pressure at the back part of the eye, or "posterior chamber". The increased intraocular pressure exacts a toll on the nerve cells, called neurons, located at the back of the eye in the retina, thinning the mesh-like tissue in this region and resulting in damage to the neurons and specifically to the optic nerve, which provides the impulses of sight to the brain. This damage leads to blindness. Glaucoma is currently the second leading cause of blindness world-wide and is estimated to affect a population of about 76 million worldwide.

InMed is conducting studies to test the ability of CBN to provide protection to the neurons at the back of the eye, referred to as "neuroprotection", and reduce the intraocular pressure in the eye. The Company compared several cannabinoids, including CBD and THC, to determine which cannabinoid was the best drug candidate for the treatment of glaucoma. Of all of the cannabinoids examined, CBN demonstrated the most optimal effect of neuroprotection. Furthermore, CBN also exhibited intraocular pressure reduction capability.

Key Milestones for the INM-088 Program:

- On Jan. 20, 2020, the Company revealed that the active ingredient in INM-755 and INM-088 is the rare cannabinoid CBN and that InMed is the first company to conduct human clinical trials with CBN.

- On May 12, 2020, the Company announced filing of a PCT application entitled "Compositions and Methods for Use of Cannabinoids for Neuroprotection". This application was initially filed as a provisional patent application and it is pertaining to the potential of cannabinoids in the prevention of neuron damage associated with glaucoma.

- On May 27, 2020, the Company provided an update on the preclinical results from its INM-088 drug development program including a summary of the studies undertaken and the key results of those studies noting the potential for CBN to contribute an independent neuroprotective effect in addition to the standard IOP reduction approach to treating glaucoma.

Next Steps for the INM-088 in Glaucoma Program:

- **Conduct additional Proof-of-concept preclinical studies (if needed);**
- **Initiate and complete IND/CTA-enabling toxicology studies;**
- **Select delivery vehicle and, if necessary, in-license enabling technologies; and**
- **Prepare and file regulatory submissions (IND/CTA) and initiate first clinical trials for INM-088.**

The Company anticipates being in a position to select an appropriate delivery formulation for INM-088 in the near term and continues to make plans for advanced preclinical testing. The timelines to execute on this study will be determined by both the choice of the delivery formulation (i.e. an internal candidate vs. an external candidate) as well as the availability of the European CRO, in line with their current policies and working status during the COVID-19 pandemic.

For INM-088 and other new potential drug/disease targets continue to advance in accordance with our plans, we are exploring ways to expedite the advancement of these key assets. As patents are filed for these product candidates, we may begin to publish our data and further validate the importance of our technologies.

Corporate

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

On August 2, 2019, the Company announced the appointment of Bruce S. Colwill, CPA, CA as Chief Financial Officer, effective August 9, 2019. Mr. Colwill joins InMed with over 25 years of experience in financial leadership roles. Prior to InMed, Mr. Colwill served as Chief Financial Officer of General Fusion Inc., a private clean energy company, since October 2016. Previously, Mr. Colwill was Chief Financial Officer at Entrée Resources Inc. , a mineral exploration company, from February 2011 to March 2016. He has also held Chief Financial Officer roles at NeuroMed Pharmaceuticals Ltd., Response Biomedical Corp, Forbes Medi-Tech Inc. and Euronet Services Inc. Contemporaneous with Mr. Colwill's appointment, InMed consolidated the roles of Chief Financial Officer and Chief Business Officer into one position, that of Chief Financial Officer. Jeff Charpentier stepped down from the CFO role but would be continuing as part of the InMed team in a role with a reduced time commitment. In addition, CBO Josh Blacher left InMed in August 2019 to pursue another opportunity in the investment management industry.

On September 3, 2019, the Company announced that Martin Bott had resigned as a Director of the Company, effective August 31st, 2019, due to professional and personal responsibilities.

On March 20, 2020, the Company announced that it had begun to implement guidelines of its internal Pandemic Preparedness Plan in early March 2020, including cancelling all corporate travel, exercising social distancing in the workplace and enabling all staff to work from home. The Company also began to interact on a more frequent basis with the numerous research vendors for all research and development programs to monitor their local situation with regards to the COVID-19 outbreak and plans to return to normal working status.

On June 19, 2020, the Company announced that it had filed a registration statement on Form S-1 with the United States Securities and Exchange Commission ("SEC") in connection with a proposed offering of up to US$12 million of common shares (the "Offering"). In connection with the proposed Offering, InMed also applied to list its common shares on the Nasdaq Stock Market ("Nasdaq"). In addition, the Company announced that it had applied for approval to consolidate its issued and outstanding common shares on the basis of one (1) post-consolidation share for every thirty-three (33) pre-consolidation shares.

On June 30, 2020, the Company announced that the Company had completed the consolidation of its issued and outstanding common shares on the basis of thirty-three (33) pre-consolidation common shares for one (1) post-consolidation common share.

Outlook

The Company continues to focus on its research and development efforts, with its primary attention to further advance INM-755 through the clinic, progress INM-088 through from the current preclinical stage into clinical studies, scale-up of the IntegraSyn™ process, as well as the successful execution of its patent applications.

Through June 30, 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 $11.9 million and $13.3 million for the years ended June 30, 2020 and 2019, respectively. In addition, the Company had an accumulated deficit of $76.4 million as of June 30, 2020. The Company expects to continue to generate operating losses for the foreseeable future.

As of the issuance date of these consolidated financial statements, the Company expects its cash and cash equivalents of $7.9 million as of June 30, 2020 will be sufficient to fund its operating expenses and capital expenditure requirements into the first 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.
These factors may cast significant doubt about the Company's ability to continue as a going concern for the future, which the Company defines as within one year from the reporting date of these condensed consolidated interim financial statements.

The Company is seeking to complete an equity financing and expects in the future 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.

Results of Operations

Selected Annual Information

The following table summarizes selected financial data reported by the Company for the years ended June 30, 2020, June 30, 2019 and June 30, 2018. On June 30, 2020, the Company effected a one-for-33 reverse stock split of its issued and outstanding common shares. Accordingly, all common share, stock option, per common share and warrant amounts for all periods presented have been adjusted retrospectively to reflect this reverse stock split. The following annual results are compliant with International Financial Reporting Standards ("IFRS"):

	Year ended June 30 2020 $(audited)	Year ended June 30 2019 $(audited)	Year ended June 30 2018 $(audited)
Total Revenue	Nil	Nil	Nil
Loss before other items and income tax	(11,856,873)	(13,255,042)	(8,520,920)
Net and comprehensive Loss	(11,856,873)	(13,255,042)	(8,520,920)
Loss per share basic and diluted	(2.27)	(2.56)	(1.65)
Total assets	10,244,127	19,788,865	28,063,144
Long term liabilities	337,989	Nil	Nil

Financial Results for the years ended June 30, 2020 and June 30, 2019:

During the year ended June 30, 2020, the Company reported a comprehensive loss of $11,856,873 and loss per share of $2.27 compared to a comprehensive loss of $13,255,042 and loss per share of $2.56 for the year ended June 30, 2019. The primary components of the loss for the year ending June 30, 2020 were attributed to research and development expenses of $7,104,932 (June 30, 2019 - $5,638,619), general and administration expenses of $3,533,014 (June 30, 2019 - $3,797,867), and non-cash, share-based payments in connection with the grant of stock options of $1,252,593 (June 30, 2019 - $4,083,157).

The decrease in comprehensive loss for the year ended June 30, 2020 from the prior year was primarily the result of a decrease in share-based payments, partially offset by an increase in research and development costs associated with our INM-755 program.

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

	2020	2019	Change	
Research & Development Expenses	**$**	$	$	%
R&D personnel compensation	**1,805,290**	**1,414,310**	390,980	28%
External contractors	**4,133,280**	**2,878,456**	1,254,824	44%
Patents	**365,694**	**268,314**	97,380	36%
Research supplies	**1,028,484**	**1,163,830**	(135,346)	-12%
Other	**20,175**	**26,747**	(6,572)	-25%
Subtotal	**7,352,923**	**5,751,657**	1,601,266	28%
Less research grant revenue	**(247,991)**	**(113,038)**	(134,953)	119%
Net Research & Development	**7,104,932**	**5,638,619**	1,466,313	26%

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

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

External contractors – The Company carries out R&D activities through the use of external contractors, acting under the direction of internal R&D personnel. The costs associated with external R&D contractors increased for the year ending June 30, 2020 primarily as a result of work associated with increased spending on the Company's integrated cannabinoid manufacturing program and the Company's INM-755 program including the commencement of clinicals trials and the preceding preclinical studies.

Research grant revenue – The increase in research grant revenue, from a National Research Council Canada Industrial Research Assistance Program ("NRC IRAP") grant, results from increased spending on the Company's biosynthesis program.

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

General & Administration Expenses	2020 $	2019 $	Change $	Change %
Accounting and legal	**626,996**	729,971	(102,975)	-14%
Consulting	**34,908**	42,048	(7,140)	-17%
Investor relations, website development and marketing	**474,943**	706,229	(231,286)	-33%
Office and administration fees	**294,901**	278,138	16,763	6%
Regulatory fees	**64,660**	83,001	(18,341)	-22%
Rent	**95,092**	199,767	(104,675)	-52%
Salaries and employee benefits	**1,674,652**	1,521,609	153,043	10%
Shareholder communications	**141,116**	124,263	16,853	14%
Transfer agent fees	**41,143**	30,018	11,125	37%
Travel and conferences	**82,349**	82,823	(474)	-1%
Unrealized holding loss	**2,254**	-	2,254	n/a
Total General & Administration	**3,533,014**	**3,797,867**	**(264,853)**	-7%

General and administration expense decreased by approximately 7% year over year.

Investor relations, website development and marketing – Investor relations, website development and marketing realized the most significant change in expenditures. The decrease in expenditures was the result of reduced use of external parties to support the Company's investor relations activities. The Company activities for the year ending June 30, 2020 include approximately $61,000 of conference and road show attendance, $40,000 of press release related expenses, $253,000 of external investor relations consulting costs and $121,000 of marketing material development expenditures.

Other changes of note include:

Accounting and legal – the decrease results from a combination changes including lower legal costs associated with negotiating research and development contracts and other matters in the current year, certain current year legal costs being capitalized as deferred financing costs offset by higher accounting fees partly resulting from the preparation of financial statements under both IFRS and US GAAP.

Office and administration fees – The increase in office and administration was primarily the result of higher costs for both a new employer health tax and one-time costs associated with the Company's relocation to new offices.

Salaries and employee benefits – The increase is due to increased time commitment of certain part time employees and higher salary levels for certain personnel.

Summary of Quarterly Results

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

Three months ended:	Q4-20 Jun. 30 2020 $	Q3-20 Mar. 31 2020 $	Q2-20 Dec. 31 2019 $	Q1-20 Sept. 30 2019 $	Q4-19 Jun. 30 2019 $	Q3-19 Mar. 31 2019 $	Q2-19 Dec. 31 2018 $	Q1-19 Sept. 30 2018 $
Revenue	—	—	—	—	—	—	—	—
Net and Comprehensive Loss	(2,312,613)	(2,807,002)	(3,350,443)	(3,386,815)	(4,269,676)	(3,490,571)	(2,653,571)	(2,841,224)
Loss per share – basic and diluted	(0.44)	(0.54)	(0.64)	(0.65)	(0.82)	(0.67)	(0.51)	(0.55)

Liquidity and Capital Resources

As at June 30, 2020, the Company had working capital of $6,318,198 (June 30, 2019 – $16,985,451), which consisted of: cash, cash equivalents and short-term investments of $7,969,917 (June 30, 2019 - $18,039,054), accounts receivable of $61,794 (June 30, 2019 - $84,987) and prepaids and other assets of $570,905 (June 30, 2019 – $424,275) offset by accounts payable and accrued liabilities of $2,190,432 (June 30, 2019 - $1,562,865) and current portion of lease obligations $93,986 (June 30, 2019 - $Nil).

As at June 30, 2020, shareholders' equity was $7,621,720 which was a decrease of $10,604,208 as compared to June 30, 2019. The decrease in shareholders' equity primarily arose from the loss for the year ended June 30, 2020.

Financial position:	June 30, 2020	June 30, 2019
Cash and cash equivalents and short-term investments	$ 7,969,917	$ 18,039,054
Working capital	6,318,198	16,985,451
Property, plant and equipment	549,869	55,829
Intangible assets	1,091,642	1,184,720
Total Assets	10,244,127	19,788,865
Shareholders' equity	7,621,720	18,226,000

As at June 30, 2020, the Company had no material ongoing contractual or other commitments other than in the normal course of business. The following table summarizes the Company's contractual obligations as at June 30, 2020 related to its Vancouver office premises and agreements with various contract research organizations:

		Payments Due by Period		
	Total	Less than 1 year	1-3 years	After 3 years
Operating Leases [1]	$805,076	190,996	391,021	223,059
Purchase Obligations	1,434,973	1,412,015	22,958	
Total Contractual Obligations	$2,240,049	1,603,011	413,979	223,059

[1] Includes estimated operating costs of $78,500 on an annual basis through to August 31, 2024.

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

Through June 30, 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 $11.9 million and $13.3 million for the years ended June 30, 2020 and 2019, respectively. In addition, the Company had an accumulated deficit of $76.4 million as of June 30, 2020. The Company expects to continue to generate operating losses for the foreseeable future.

As of the issuance date of these consolidated financial statements, the Company expects its cash and cash equivalents of $7.9 million as of June 30, 2020 will be sufficient to fund its operating expenses and capital expenditure requirements into the first 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. These factors may cast significant doubt about the Company's ability to continue as a going concern for the future, which the Company defines as within one year from the reporting date of these consolidated financial statements.

The Company is seeking to complete an equity financing and expects in the future 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 stockholders. See "Risks and Uncertainties" below.

Off-Balance Sheet Arrangements

As at June 30, 2020, the Company had no off-balance sheet arrangements.

Transactions with Related Parties

Expense for the years ending:

	Year Ended	
	June 30, 2020	June 30, 2019
Key management personnel compensation comprised :		
Share based payments	$ 763,928	$ 3,509,011
Salaries and consulting fees	2,559,762	2,430,469
	$ 3,323,690	$ 5,939,480

New Standards Applicable in the Reporting Period

On January 13, 2016, the IASB published a new standard, IFRS 16 Leases. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. The mandatory effective date of the new standard is applicable for annual periods beginning on or after January 1, 2019. The Company has adopted IFRS 16 Leases as of July 1, 2019 using the modified retrospective approach. Under this approach, there is no restatement of prior period financial information. On initial application of the standard on July 1, 2019, the Company had no transition adjustment to the consolidated financial statements based on the election to apply the practical expedient not to recognize the right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. On July 1, 2019, at the commencement date of the new office lease, the Company recognized right-of-use assets of $568,840, a reduction of prepaids and advances of $64,916 and a lease liability of $503,924. There was no impact to opening accumulated deficit. Furthermore, the impact of the adoption of the new standard is non-cash in nature; as such, there is no material impact on

cash flows. Please refer to "Changes in significant accounting policies" below and Note 12 in the Company's financial statements for more information.

Changes in significant accounting policies

Effective July 1, 2019, the Company adopted IFRS 16 Leases, which specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases.

The Company's accounting policy under IFRS 16 Leases is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured as the present value of future lease payments excluding payments made at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

On initial application of the standard on July 1, 2019, the Company had no transition adjustment to the consolidated financial statements based on the election to apply the practical expedient not to recognize the right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. On July 1, 2019, at the commencement date of the new office lease, the Company recognized right-of-use assets of $568,840, a reduction of prepaids and advances of $64,916 and a lease liability of $503,924.

The impact of the adoption of this new standard is non-cash in nature and, as such, the Company does not anticipate a material impact on cash flows. Please refer to Note 12 in the Company's financial statements for more information.

The following table lists the Company's operating lease obligations recognized on initial application of IFRS 16 Leases at July 1, 2019.

Operating lease commitment disclosed as of June 30, 2019	$1,064,120
Estimated variable lease payments not included in lease obligations	($392,570)
Prepaid portion of lease obligation	($64,916)
Discounted using the incremental borrowing rate at July 1, 2019	($102,710)
Lease obligations recognized as at July 1, 2019	$503,924

When measuring lease liabilities for leases classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at July 1, 2019 of 8%.

IFRIC 23 - Uncertainty over Income Tax Treatments

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

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

The Company adopted IFRIC Interpretation 23 in its financial statements for the fiscal year beginning on July 1, 2019. Based on an analysis of the Company's historic tax filing positions as of July 1, 2019, the Interpretation did not have an impact on the consolidated financial statements.

Financial Instruments and Risk Management

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

- Market Risk
- Foreign currency risk
- Interest Rate Risk
- Credit Risk
- Liquidity Risk.

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

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

General Objectives, Policies and Processes:

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management. The effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets are reviewed periodically by the Board of Directors if and when there are any changes or updates required. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Market Risk

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

Foreign Currency Risk:

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

As at June 30, 2020, the Company has a net excess of US dollar denominated cash and cash equivalents in excess of US dollar denominated accounts payable and accrued liabilities of US$847,219, which is equivalent to $1,154,590 at the June 30, 2020 exchange rate. The US dollar financial assets generally result from holding US dollar cash to settle anticipated near-term accounts payable and accrued liabilities denominated in US dollars. The US dollar financial liabilities generally result from purchases of supplies and services from suppliers from outside of Canada.

Each change of 1% in the US dollar in relation to the Canadian dollar results in a gain or loss, with a corresponding effect on cash flows, of $11,546 based on the June 30, 2020 net US dollar assets (liabilities) position. During the year ended June 30, 2020, the Company recorded a foreign exchange gain of $60,542 (June 30, 2019 –foreign exchange loss of $33,888) related to US dollars.

As at June 30, 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 €49,345, which is equivalent to $75,522 at the June 30, 2020 exchange rate. The Euros financial assets generally result from holding Euros to settle anticipated near-term accounts payable and accrued liabilities denominated in Euros dollars. The Euros financial liabilities generally result from purchases of supplies and services from suppliers from outside of Canada.

Each change of 1% in the Euros in relation to the Canadian dollar results in a gain or loss, with a corresponding effect on cash flows, of $755 based on the June 30, 2020 net Euros assets (liabilities) position. During the year ended June 30, 2020, the Company recorded a foreign exchange gain of $47,834 (June 30, 2019 – $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 June 30, 2020, holdings of cash and cash equivalents of $5,870,134 (June 30, 2019 -

$3,063,398) are subject to floating interest rates. In addition, the Company held fixed rate guaranteed investment certificates, cashable within ninety days of purchase, with a book value of $Nil (June 30, 2019 – $9,512,120). The balance of the Company's cash holdings of $2,042,022 (June 30, 2019 - $298,443) are non-interest bearing.

As at June 30, 2020, the Company held short-term investments in the form of variable rate guaranteed investment certificates, with one year terms, with face value of $57,500 (June 30, 2019 - $57,500) and fixed rate guaranteed investment certificates, with terms of 6 to 12 months, with a face value of $Nil (June 30, 2019 - $5,000,000).

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

The Company, as at June 30, 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.

Credit Risk:

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

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

Liquidity Risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it has sufficient cash to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. A key risk in managing liquidity is the degree of uncertainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases. As at June 30, 2020, the Company has cash and cash equivalents and short-term investments of $7,969,917 (June 30, 2019 - $18,039,054), current liabilities of $2,190,432 (June 30, 2019 - $1,562,865), and a working capital surplus of $6,318,198 (June 30, 2019 - $16,985,451).

Financial Instruments

The Company's cash and cash equivalents of $7,912,156 (June 30, 2019 - $12,873,961) are measured at amortized cost. The Company's short-term investments of $57,761 (June 30, 2019 - $5,165,093) are measured at amortized cost.

Capital Management

The Company considers all components of shareholders' equity as capital. The Company's objective is to maintain sufficient capital base in order to meet its short-term obligations while preserving flexibility to pursue future development and production of the business.

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

Outstanding Share Data

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

Securities [1]	
Common shares	5,220,707
Stock options	588,635
Warrants	Nil

(1) See the Company's consolidated financial statements for the year ended June 30, 2020 for a detailed description of these securities.

Commitments

Pursuant to the terms of agreements with various contract research organizations, as at June 30, 2020, the Company is committed for contract research services and materials at a cost of approximately $1,434,973. A total of $1,412,015 of these expenditures are expected to occur in the twelve months following June 30, 2020 and the balance of $22,958 in the following twelve-month period.

Pursuant to the terms of a May 31, 2017 Technology Assignment Agreement between the Company and UBC, whereby the Company retains sole worldwide rights to all patents emergent from the technology under development in exchange for a royalty of less than 1% on sales revenues from products utilizing cannabinoids manufactured using the technology and a single digit royalty on any sub-licensing revenues. 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 patent application arising from the research. To date no payments have been required to be made.

Short-term investments include guaranteed investment certificates with a face value of $57,500 (June 30, 2019 - $57,500) that are pledged as security for a corporate credit card.

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

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

Internal Controls Over Financial Reporting

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

regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with IFRS.

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

Management evaluated the effectiveness of our ICFR as of June 30, 2020 based on the framework set forth in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Disclosure Controls and Procedures

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

Based on management's evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's internal controls over financial reporting were not effective as of June 30, 2020 as a result of a material weakness in the Company's internal control over financial reporting, primarily the result of inadequate resources required to respond to financial reporting matters other than in the normal course of business. In connection with the preparation of consolidated financial statements associated with the Company's financing efforts which were outside of, and/or in addition to, its regular reporting cycle, a number of non-material adjustments and changes in disclosure were required. While these changes were not material, their presence is indicative of failures in design and effectiveness of internal controls. A material weakness, as defined in National Instrument 52-109 of the Canadian Securities Administrators, is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

We are taking appropriate and reasonable steps to make the necessary improvements to remediate the deficiency. To the extent that financial reporting requirements are anticipated to exceed the Company's normal course of business reporting cycles or requirements, Our remediation efforts will include looking to increase our in-house personnel and/or expertise to remediate the material weakness.

Notwithstanding this material weakness, the Company has concluded that the financial statements included in this report fairly present in all material respects its financial position, results of operations, capital position, and cash flows for the periods presented, in accordance with IFRS.

Risks and Uncertainties

An investment in the Company involves significant risks and must be considered speculative due to the nature of the Company's business. Investors should carefully consider the risks and uncertainties described below. This list of risks and uncertainties below is not exhaustive. Furthermore, additional risks and uncertainties not presently known to InMed or that InMed believes to be immaterial may also adversely affect InMed's business. In addition to the risks identified elsewhere in this MD&A, investors should carefully consider all of the risk factors associated with the Company and its business, identified in the disclosure under the heading "Risk Factors" in the Company's Annual Information Form dated September 26, 2019 for the year ended June 30, 2019, a copy of which is available on SEDAR at http://www.sedar.com.

Risks Related to the Company's Business

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

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

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

Financial Liquidity

The Company is not currently generating any revenue and expects to operate at a loss as it conducts research and development on its drug candidates. Through June 30, 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 $11.9 million and $13.3 million for the years ended June 30, 2020 and 2019, respectively. In addition, the Company had an accumulated deficit of $76.4 million as of June 30, 2020. The Company expects to continue to generate operating losses for the foreseeable future. As of the issuance date of this Management's Discussion and Analysis, the Company expects its cash and cash equivalents of $7.9 million as of June 30, 2020 will be sufficient to fund its operating expenses and capital expenditure requirements into the first 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. These factors may cast significant doubt about the Company's ability to continue as a going concern for the future, which the Company defines as within one year from the reporting date of these consolidated financial statements.

The Company is seeking to complete an equity financing and expects in the future 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. Our ability to secure required financing will depend, in part, on investor perception of our ability to create a successful business. Capital market conditions and

other factors beyond our control may also play important roles in our ability to raise capital. The Company can offer no assurance that it will be able to successfully obtain additional financing, or that future financing occurs on terms satisfactory to our management and/or shareholders. If funds are unavailable in the future, or unavailable in the amounts that we feel the business requires, or unavailable on acceptable terms, we may be required to cease operating or modify our business plans in a manner that undermines our ability to achieve our business objectives.

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

The Company's business must be evaluated in light of the problems, delays, uncertainties and complications encountered in connection with establishing a cannabinoid-based pharmaceutical business. There is a possibility that none of the Company's drug candidates under development will be found to be safe and effective, that it will be unable to receive necessary regulatory approvals in order to commercialize such products, or that it will obtain regulatory approvals that are too narrow to be commercially viable. Any failure to successfully develop and obtain regulatory approval for products would have a material adverse effect on the Company's business, financial condition and results of operations.

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

Before the Company can obtain regulatory approval for the commercial sale of any drug candidate, it will be required to complete extensive clinical trials to demonstrate safety and efficacy. Clinical trials are expensive and are difficult to design and execute.

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

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

Preclinical tests and initial clinical trials are primarily designed to test safety and to understand the side effects of drug candidates and to explore efficacy at various doses and schedules. Success in preclinical and early clinical trials does not ensure that later large-scale efficacy trials will be successful, nor does it predict final results.

Protection of intellectual property can be unpredictable and costly.

The Company's success will depend, in part, on its ability to obtain patents, defend patents, maintain trade secret protection and operate without infringing on the proprietary rights of others. Interpretation

and evaluation of pharmaceutical patent claims present complex and often novel legal and factual questions. Accordingly, there is some question as to the extent to which biopharmaceutical discoveries and related products and processes can be effectively protected by patents. As a result, there can be no assurance that:

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

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

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

Competition

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

Uninsured or Uninsurable Risk

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

Conflicts of Interest

The Company's directors and officers may currently be involved, or become involved, in other business ventures that compete with our platform and services. Business opportunities for the Company may create circumstances in which outside interests of our directors and officers conflict with the interests of the Company. Directors and officers are required to act in good faith and in a manner that benefits the Company. It is possible, however, that our directors and officers may owe similar consideration to another organization(s). It is possible that these and other conflicts of interest are resolved in a way that has a material adverse impact on the Company.

Dependence on Key Personnel

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

Financial Statements Prepared on Going Concern Basis

The Company's consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its commitments, realize its assets and discharge its liabilities in the ordinary course of business. The Company has a history of operating losses and negative cash flows from operations and has no current sources of revenue. The Company's ability to continue its operations on a going concern basis over the next twelve months after the period end date is supported by its available cash and cash equivalents to meet its obligations. Until such time as the Company can generate substantial product revenue and achieve profitable operations, continuing operations are dependent upon its ability to raise additional financing through issuing equity or debt and ultimately achieving profitable operations. These factors may cast significant doubt about the Company's ability to continue as a going concern within one year from the date of the Company's consolidated financial statements.

The Company is seeking an equity financing and expects 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 stockholders.

The Company's consolidated financial statements do not reflect adjustments to the carrying values of assets and liabilities that would be necessary if the Company was unable to continue as a going concern and such adjustments could be material.

Public Listing Compliance

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

In July 2020, in connection with a proposed offering of our common shares in the United States, two inadvertent disclosures of already publicly 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. 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 purchase our common shares in the Company's planned offering may have a rescission right, which could to 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.

Share Price Volatility and Speculative Nature of Share Ownership

The Company's common shares are listed for trading on the TSX, resulting in shareholders being able to freely trade their shares. Factors both internal and external to the Company may significantly influence the price at which our shares trade, and the volatility of our share price. Quarterly operating results and material developments reported by the Company can, and likely will, influence the price of our shares.

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

The COVID-19 coronavirus could adversely impact our business, including several key activities that are critical to our success.

The global outbreak of COVID-19 continues to rapidly evolve. As a result, some businesses have closed and limits have been placed on travel. The extent to which COVID-19 may impact our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate impact of the disease on specific geographies, the duration of the outbreak, travel restrictions and social distancing in the United States, Canada and other countries, business closures or business disruptions and the effectiveness of actions taken in the United States, Canada and other countries to contain and treat the disease.

The spread of COVID-19 throughout the world has also created global economic uncertainty, which may cause collaborators, suppliers and potential customers to closely monitor their costs and reduce their spending budget. Either of the foregoing could materially adversely affect our research and development activities, clinical trials, supply chain, financial condition and cash flows.

If the COVID-19 outbreak continues to spread, we may need to limit operations or implement other limitations on our activities. There is a risk that other countries or regions may be less effective at containing COVID-19, in which case the risks described herein could be elevated significantly.

Additional Information

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