InMed Pharmaceuticals Inc.

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

Three Months Ended

September 30, 2016

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The following Management's Discussion and Analysis ("MD&A") is intended to assist the reader to assess material changes in financial condition and results of operations of InMed Pharmaceuticals Inc. ("InMed" or the "Company") as at September 30, 2016 and for the three months then ended in comparison to the same period ended September 30, 2015. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements for the period ended September 30, 2016 and September 30, 2015 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 November 28, 2016.

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 www.sedar.com.

Cautionary Statement on Forward-Looking Information

This discussion may contain certain forward-looking statements reflecting 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, including, without limitation, changes in markets and competition, technological and competitive developments, a strict regulatory environment, patent applications if any, and dependence on strategic partners and licenses. The material factors and assumptions used to develop the forward-looking statements and forward looking information contained in this MD&A are based on Management's ability to maintain the Company as a going concern and be successful in obtaining the required funding to further develop prescription drug therapies through the research and development into the extensive pharmacology of cannabinoids.

When used in this MD&A, the words *"plan," "expect," "believe,"* and similar expressions generally identify forward-looking statements. In light of the many risks and uncertainties as described in this report, readers should understand that InMed cannot offer assurance that the forward-looking statements contained in this analysis will be realized. Additional information on these and other potential factors that could affect the Company's financial results are included in this discussion and in documents filed from time to time with the provincial securities commissions in Canada.

The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.

Overall Performance and 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 under the name Meridex Software Corporation; in May 2014 the Company, then named Cannabis Technologies Inc. and since October 2014 named InMed, began to specialize in cannabinoid pharmaceutical product development.

The Company's shares are listed on the Canadian Securities Exchange ("CSE" or "Exchange") under the trading symbol "IN", and under the trading symbol "IMLFF" on the OTCQB.

InMed's corporate office and principal place of business is located at 350 – 409 Granville Street, Vancouver, B.C. V6C 1T2.

Research and Development

As previously reported in the Company's 2016 annual management discussion and analysis report dated October 7, 2016 and filed on SEDAR, ("Annual MD&A") InMed is a pre-clinical stage biopharmaceutical company specializing in the research and development of novel, cannabinoid-based therapies combined with innovative drug delivery systems.

InMed continues to work on the development of several new cannabinoid-based treatments for multiple diseases including Dermatology, Ocular, Pain, Inflammation, Cancer and Arthritis disease areas, among others.

Highlights during the current quarter ended September 30, 2016 and as at the date hereof include:

Financings

On October 27, 2016 the Company completed a non-brokered private placement for 18,750,000 common shares at a price of $0.08 per share (the "Financing") for gross proceeds of $1,500,000 of which $160,000 in subscriptions had been received as at September 30, 2016.

Finders' fees of 7.5% on a portion of the gross proceeds received by the Company from the sale of the shares sold pursuant to the Financing included 237,500 compensation shares.

The net proceeds from this private placement will be used for general working capital purposes. All securities issued pursuant to the Financing will be subject to a four month and one day hold period from the date of closing of the Financing.

On July 28, 2016 the Company completed a non-brokered private placement (the "Financing") for 4,350,000 units ("Units"), at a price of $0.07 per Unit for gross proceeds of $304,500 (which included subscriptions of $13,400 received as at June 30, 2016). Each Unit consists of one common share and one non-transferable share purchase warrant (a "Warrant"). Each Warrant will be exercisable by the holder to acquire one additional common share at a price of $0.15 for a period of twelve (12) months expiring on July 28, 2017. Finders' fees of 7% on a portion of the gross proceeds received by the Company from the sale of Units sold pursuant to the Financing included cash of $1,960, and 28,000 warrants ("Agent Warrants"). Each Agent Warrant shall be exercisable in whole or in part at an exercise price of $0.15 for a period of 12 months expiring on July 28, 2017.

The proceeds from this private placement was used for general working capital purposes and a portion was used to settle trade payables.

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

Corporate

During the period ended September 30, 2016 and as at the date of this report hereof, InMed made the following changes to its board of directors and executive management team:

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

around the world, leading to several drug approvals and label extensions. Ms. Mancini holds a Master of Science degree from the University of Toronto.

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

On September 12, 2016 the Company accepted Mr. Chris Bogart's and Mr. Sazzad Hossain's resignations as Directors of the Company. Mr. Bogart remains the Company's Sr. VP of Corporate Strategy & Investor Relations and Mr. Hossain remains the Company's Chief Scientific Officer.

The Company's board of directors as at the date of this report herein are; Messrs. Adams, Schneider, Cutler, Garner and Hull.

Outlook

The Company continues to focus its efforts on research and development in the biotech sector, with its primary attention to further advance its current drug therapies and pre-clinical trials as well as the successful completion of its patent applications as described hereinabove. Additionally, the Company will continue its efforts to secure the ongoing necessary funding required to develop these therapies, patent applications and pre-clinical trial studies.

Results of Operations

Financial Results for the three months ended September 30, 2016 and September 30, 2015:

During the year period ended September 30, 2016 the Company reported a comprehensive loss of $418,016 and loss per share of $0.01 compared to a comprehensive loss of $693,208 and loss per share of $(0.01) reported in the comparative period ended September 30, 2015. The primary components of the loss was related to general and administration expenses of $162,761 (September 30, 2015 - $451,572) and the recording of share-based payments of $243,949 (September 30, 2015 - $130,958) in connection with the grant of stock options. The Company also incurred research and development cost credit of $(8,750) (September 30, 2015 - $89,335) resulting from a prior year prepayment adjustment.

The decrease in comprehensive loss for the current period ended September 30, 2016 from the comparative period was primarily the result in the decrease in administrative and general expenses and research and development costs as described herein below.

The summary of variances in the general and administrative expenditures, were as follows:

Expenses	2016	2015	Variance	
Administrative & General	$	$	$	%
Accounting and legal	12,125	-	12,125	100%
Consulting	25,269	341,098	(315,829)	-93%
Conferences	-	8,087	(8,087)	-100%
Investor relations, website development and marketing	36,967	19,957	17,010	85%
Office and administration fees	6,992	28,483	(21,491)	-75%
Regulatory fees	4,854	2,103	2,751	131%
Rent	2,971	18,000	(15,029)	-83%
Shareholder communication	5,643	9,187	(3,544)	-39%
Transfer agent fees	2,889	1,881	1,008	54%
Travel	589	22,776	(22,187)	-97%
Total	98,299	451,572	(353,273)	-78%
Other				
Research & Development	- 8,750	89,335	(98,085)	-110%

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

Consulting fees – Decrease in consulting fees was primarily the result of the 2015 issuance of 1,000,000 common shares at $0.205 being the market price on the date of issue for a recorded value of $205,000 to Mr. Paul Brennan, the former President and CEO of the Company, pursuant to an employment agreement recorded in the prior comparative period.

Investor relations, website development & marketing - Increase in expenditures were the result of the addition of 2 investor relation firms during the current period.

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

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

Travel - The decrease in travel primarily related to the attendance of fewer conferences in the current year.

Other item to note:

Research and development – The Company saw a decrease in expenditures which primarily related to the reservation of funds, with the recent financings the Company anticipates expenditures to increase.

Summary of Quarterly Results

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

Three months ended:	Q1-17 Sept.30 2016 $	Q4-16 June 30 2016 $	Q3-16 Mar.31 2016 $	Q2-16 Dec. 31 2015 $	Q1-16 Sept.30 2015 $	Q4-15 June 30 2015 $	Q3-15 Mar. 31 2015 $	Q2-15 Dec. 31 2014 $
Revenue	—	—	—	—	—	—	—	—
Loss before other items	(418,016)	(504,655)	(404,220)	(775,120)	(693,208)	(1,450,220)	(1,623,805)	(566,293)
Comprehensive Loss	(418,016)	(504,655)	(404,220)	(775,120)	(693,208)	(1,444,300)	(1,623,805	(566,293)
Loss per share – basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.04)	(0.01)

Liquidity and Capital Resources

As at September 30, 2016 the Company had a working capital deficiency of $115,490 (June 30, 2016 – $402,515) which consisted of; cash $167,724 (June 30, 2016 - $54,241), taxes receivable of $86,836 (June 30, 2016 - $85,122) and prepaid deposits of $44,792 (June 30, 2016 – $48,301) offset by trade payables of $414,842 (June 30, 2016 - $590,179). The decrease in shareholders' equity was a result in the increase of loss reported a result of increased general and administrative expenses, research and development the recording of stock-based compensation as described hereinabove and increase in accounts payable.

Financial position:	September 30 2016	June 30 2016
Cash and cash equivalents	**$167,724**	$54,241
Working capital	**(115,490)**	(402,515)
Property, plant and equipment	**$4,021**	$4,726
Intangible assets	**$1,359,987**	$1,381,811
Total Assets	**$1,663,360**	$1,574,201
Shareholders' equity	**$1,248,518**	$984,022

The Company's only source of cash flows for the current period were the Financings described hereinabove. Subsequent to September 30, 2016 and as at the date of the report hereinabove, 465,000 common shares were issued pursuant to the exercise of share purchase warrants at an exercise price of $0.13 per share for proceeds of $60,450.

Additionally, the Company settled an aggregate amount of trade payables of $108,169 through the issuance of 983,355 common shares of the Company at an issue price of $0.11 per share.

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

The Company's continuing operations will be dependent upon obtaining necessary financing in order to further develop its current business plan. The Company expects that it will continue to fund its operations primarily by the issuance of equity or debt securities. The Company's ability to continue its operations on a going concern basis is dependent upon its ability to raise these additional funds. The certainty and outcome of these matters cannot be predicted at this time.

Off-Balance Sheet Arrangements

As at September 30, 2016, the Company had no off-balance sheet arrangements.

Transactions with Related Parties

a) Payments

	September 30 2016	September 30 2015
Key management personnel compensation comprised :		
Share based payments	$—	$93,542
Shares issued for services	$—	$205,000
Consulting fees:	$69,244	$44,922
	$69,244	$343,463

i) Wages of $30,000 (September 30, 2015 - $Nil) were paid or accrued to Eric A. Adams ("Adams") the Chief Executive Officer and President of the Company (*Adams was appointed on June 16, 2016);*
ii) Consulting fees of $Nil (September 30, 2015 - $11,349) were paid or accrued to Pacific BioPartners ("PB") a company controlled by Paul Brennan ("Brennan"), the former Chief Executive Officer and President of the Company (*Brennan was appointed on September 14, 2015 and resigned effective May 4, 2016)* which includes shares for services of $205,000 as described in Note 10 hereinabove;
iii) Consulting fees of Nil (September 30, 2015 - $25,500) were paid or accrued to Etoby Management Inc. ("Etoby") and/or Craig Schneider ("Schneider"), a company controlled by Schneider, the former Chief Executive Officer and President of the Company *(Schneider resigned September 14, 2015 wherein Brennan was appointed in his stead).* Mr. Schneider remains a director and consultant of the Company;
iv) Consulting fees of $9,244 (September 30,2015 - $8,073) were paid or accrued to Minco Corporate Management Inc. ("Minco"), a company controlled by Terese Gieselman ("Gieselman"), Chief Financial Officer and Secretary of the Company;
v) Wages of $30,000 (September 30, 2015 - $Nil) were paid to Sazzad Hossain ("Hossain") the Company's Chief Scientist Officer;
vi) Consulting fees of $Nil (September 30, 2015 - $36,715) were paid or accrued to Entourage Bioscience Inc. ("Entourage") a company controlled by Dr. Hossain; and
vii) Share-based payments are the fair value of options granted to key management personnel.

b) Related party liabilities:

Amounts due to:		September 30 2016	June 30 2016
Schneider	Fees	**$7,598**	$65,144
Schneider	Expenses	**$56,904**	$7,598
Schneider	Rent	**$4,218**	$4,218
Minco	Fees	**$3,242**	$2,638
Minco	Expenses	**$100**	-
Hossain	Expenses	**$5,876**	$4,656
0954041 BC Ltd.	Fees	**$72,005**	$72,005
Bogart	Expenses	**$15,624**	$30,570
Stella Law[1]	Legal Fees	**$6,064**	$10,930
Corex Gold Corp.	Expenses	**$45,937**	$40,353
Standard Graphite Corp.	Expenses	**$23,767**	$23,491
		$241,334	$238,112

1 Legal fees owing to Stella Law Corporation a company controlled by Stephen Tong a former director of the Company (Mr. Tong resigned effective June 13, 2016).

Trade Payables

As at September 30, 2016, $45,937 (June 30, 2016 - $40,353) was due to Corex Gold Corporation which has a common director Craig Schneider for expenses incurred on behalf of InMed for shared office space expenses. These advances are non-interest-bearing and due on demand.

As at September 30, 2016, $23,767 (2015 - $23,491) was due to Standard Graphite Corp. which has common officers, Bogart and Gieselman for expenses incurred on behalf of InMed for shared office space expenses. These advances are non-interest-bearing and due on demand.

Critical Accounting Estimates

The full details of InMed's accounting policies are presented in Note 3 of the audited financial statements for the year ended June 30, 2016. These policies are considered by management to be essential to understanding the processes and reasoning that go into the preparation of the Company's financial statements and the uncertainties that could have a bearing on its financial results.

Changes in Accounting Policies including Initial Adoption

Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements have been issued by the IASB that are mandatory for accounting years beginning on or after July 1, 2016. The Company has not assessed the impact from adopting these standards.

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

IFRS 9 Financial Instruments

Issued by IASB July, 2014
Effective for annual periods beginning on or after January 1, 2018

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and IFRIC 9 Reassessment of Embedded Derivatives. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9. However, for annual periods beginning before January 1, 2018, an entity may elect to apply those earlier versions instead of applying the final version of this new standard if its initial application date is before February 1, 2015.

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

- ***Classification and measurement of financial assets:***
  Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".
- **Classification and measurement of financial liabilities:**
  When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- ***Impairment of financial assets:***
  An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.
- ***Hedge accounting:***
  Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).
- ***Derecognition:***
  The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

Issued by IASB May, 2014

Effective for annual periods beginning on or after January 1, 2016.

Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to:

- **Clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.**
- **Introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.**
- **Add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.**

IFRS 16 Leases

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

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

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

The main features of the new standard are as follows:

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

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

Financial Instruments and Risk Management

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

- Market Risk
- 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 note 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 these 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 the note.

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.

Management believes that the risk of concentration with respect to credit, interest rate and liquidity is minimal.

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 have significant foreign exchange risk, commodity risk or equity price risk.

Interest Rate Risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in guaranteed investment certificates or interest bearing accounts of major Canadian chartered banks. The Company regularly monitors compliance to its cash management policy.

Cash is subject to floating interest rates.

The Company as at September 30, 2016 does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

Credit Risk:

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

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

Liquidity Risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases. As at September 30, 2016 the Company has cash and cash equivalents of $167,724 (June 30, 2016 - $54,241), current liabilities of $414,842 (June 30, 2016 - $590,179) and working capital deficiency of $115,490 (June 30, 2016 - $402,515).

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

September 30, 2016		June 30, 2016	
Due Date	Accounts payable and accrued liabilities	Due Date	Accounts payable and accrued liabilities
0 – 90 days	$414,842	0 – 90 days	$546,844
90 – 365	—	90 – 365	—
More than 1 year	—	More than 1 year	—

Determination of Fair Value:

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

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

Fair Value Hierarchy:

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash of $167,724 (June 30, 2016 - $54,241) are measured at fair value on a recurring basis.

Capital Management

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

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

Outstanding Share Data

InMed's authorized capital is unlimited common shares without par value. As at the date of this report, 93,018,717 common shares were issued and outstanding. The Company as at the date of this report had the following outstanding options, warrants and convertible securities as follows:

Type of Security	Number	Exercise price	Expiry Date
Stock Options	375,000	$0.26	April-04-19
Stock Options	50,000	$0.18	June-05-19
Stock Options	100,000	$0.18	November-25-19
Stock Options	200,000	$0.35	March-02-20
Stock Options	200,000	$0.36	March-04-20
Stock Options	200,000	$0.21	August-25-25
Stock Options	200,000	$0.145	November-23-20
Stock Options	1,900,000	$0.14	November-27-20
Stock Options	2,000,000	$0.08	May-16-21
Stock Options	1,000,000	$0.13	June-10-21
Stock Options	2,000,000	$0.11	June-15-21
Stock Options	1,750,000	$0.11	July-27-21
Stock Options	1,000,000	$0.11	September-12-21
Stock Options	2,700,000	$0.11	October-18-21
Share Purchase Warrants	9,630,000	$0.13	February-24-17
Agents Warrants	549,250	$0.13	February-24-17
Share Purchase Warrants	836,666	$0.30	November-27-16
Agents Warrants	32,200	$0.30	November-27-16
Share Purchase Warrants	513,332	$0.30	February-3-17
Share Purchase Warrants	4,350,000	$0.30	July-28-17
Agents Warrants	28,000	$0.30	July-28-17

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

Commitments

The Company has no commitments as at September 30, 2016.

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.

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 near future.

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

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

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

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

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

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

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

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

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

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

Protection of proprietary technology can be unpredictable and costly.

The Company's success will depend, in part, upon its ability to obtain patent protection or patent licenses for its future technology and products. Obtaining such patent protection or patent licenses can be costly and the outcome of any application for such can be unpredictable. 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.

Competition

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

Uninsured or Uninsurable Risk

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

Conflicts of Interest

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

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

Dependence on Key Personnel

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

Patent & IP

The Company plans to acquire certain patents pending but cannot guarantee their approval or commercial viability.

Financial Liquidity

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

Financial Statements Prepared on Going Concern Basis

The Company's financial statements have been prepared on a 'going concern' basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the successful completion of financing and the creation of operations deemed successful according to the standards of our industry. In the social networking sector, profitability is one benchmark of success, as is obtaining a large and international user base. The Company cannot guarantee that it will be successful in obtaining financing in the future or in achieving business objective set forth internally or externally. Our consolidated financial statements may not contain the adjustments relating to carrying values and classification of assets and/or liabilities that would be necessary should the Company be unable to continue as a going concern.

Costs of Maintaining a Public Listing

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

Share Price Volatility and Speculative Nature of Share Ownership

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

Sentiment toward technology 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 is a relatively young company that is not generating meaningful revenue and does not possess large cash reserves. As such, it should be considered a speculative investment. There is no guarantee that a liquid market will be developed for the Company's shares.

Additional Information

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