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

FORM 10-K

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

For the fiscal year ended June 30, 2021

OR

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

For the transition period from _____ to _____

Commission file number: 001-39685

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

British Columbia, Canada	**82-2726719**
(State or other jurisdiction of incorporation or organization)	**(IRS employer Identification number)**
Suite 310 – 815 W Hastings, Vancouver, B.C., Canada	**V6C 1B4**
(Address of principal executive office)	**(Zip Code)**

(604) 669-7207
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of Each Class	Trading Symbol	Name of Each Exchange On Which Registered
Common Stock, no par value	**INM**	**The Nasdaq Capital Market**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

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

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

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

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

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

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

On September 24, 2021 there were 9,377,034 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the registrant's 2021 annual meeting of stockholders to be filed pursuant to Regulation 14A within 120 days of the registrant's fiscal year ended June 30, 2021 are incorporated herein by reference into Part III of this Annual Report on Form 10-K.

InMed Pharmaceuticals Inc.
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PART I

Special Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K, including the sections entitled “Business,” “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, contains forward-looking statements that involve risks and uncertainties. We make such forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. All statements, other than statements of historical facts contained herein, regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans, objectives of management and expected market growth are forward-looking statements. We may, in some cases, use words such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will”, “would”, and similar expressions that convey uncertainty of future events or outcomes to identify these forward-looking statements. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. Forward-looking statements in this Annual Report on Form 10-K include, but are not limited to, statements about:

- Our researching, developing, manufacturing and commercializing cannabinoid-based biopharmaceutical products will treat diseases with high unmet medical needs;
- The continued optimization of the cannabinoid manufacturing approach including the high-efficiency enzyme, biofermentation parameters and downstream purification;
- Our success in initiating discussions with potential partners for licensing various aspects of our Product Candidates, including an ocular delivery system;
- Our ability to register and commercialize products in the United States and other jurisdictions;
- Our ability to successfully build a dedicated cannabinoid manufacturing facility, to access existing manufacturing capacity via leases with third-parties or to transfer our IntegraSyn^{TM} process for manufacturing to a contract manufacturing organization with existing infrastructure to produce for us the preclinical, clinical and commercial scale active pharmaceutical ingredient (“API”) supply for our Product Candidates;
- Our belief that the IntegraSyn^{TM} manufacturing approach that we are developing is robust and effective and will result in high yields of cannabinoids;
- Our belief that the IntegraSyn^{TM} manufacturing approach that we are developing will be a significant improvement upon existing manufacturing platforms, such as direct extraction, which needs an agricultural-centric process, including planting, growing, harvesting, and extraction;
- Our belief that a single-agent formulation, rather than a combination product, will improve the probability of development and regulatory success in Epidermolysis Bullosa (“EB”);
- Our belief that that INM-755 offers specific advantages and will prove to provide the extensive relief symptomology with the added potential of addressing the underlying disease in EB;
- The structure of future INM-755 studies;
- Beginning patient enrollment into a Phase II study in EB in the second half of calendar year 2021;
- Our ability of the IntegraSyn^{TM} approach to introduce a revenue stream to us before the expected commercial approval of our therapeutic programs;
- Our ability to successfully scale up our IntegraSyn^{TM} approach so that it will be commercial-scale ready after Phase II clinical trials are completed, after which time we may no longer need to source APIs from contract manufacturers;

- The success of the key next steps in our IntegraSyn™ approach, including continuing efforts to diversify the number of cannabinoids produced, scaling-up the IntegraSyn™ process to larger vessels and identifying external vendors to assist in the commercial scale-up of the process;

- Our ability to optimize IntegraSyn™ fermentation conditions and downstream purification processes with third party suppliers;

- Our ability to successfully make determinations as to which research and development programs to continue based on several strategic factors;

- Our ability to monetize our IntegraSyn™ manufacturing approach to the broader pharmaceutical industry;

- Our ability to take an opportunistic approach in the rapidly emerging sector of cannabinoid pharmaceutical development to maximize the return to investors/shareholders;

- Whether we will complete the acquisition of BayMedica and the terms upon which such transaction may be consummated;

- Our ability to continue to outsource the majority of our research and development activities through scientific collaboration agreements and arrangements with various scientific collaborators, academic institutions and their personnel;

- The success of work to be conducted under the research and development collaboration between us and various contract development and manufacturing organizations ("CDMOs");

- Our ability to develop our therapies through early human testing;

- Our ability to evaluate the financial returns on various commercialization approaches for our Product Candidates, such as a 'go it-alone' commercialization effort, out-licensing to third parties, or co-promotion agreements with strategic collaborators;

- Our ability to oversee clinical trials for INM-755 in EB and building the requisite internal commercialization infrastructure to self-market the product to EB clinics;

- Our ability to find a partnership early in the development process for INM-088 in glaucoma;

- Our IntegraSyn™-derived products being bio-identical to the naturally occurring cannabinoids, and offering superior ease, control and quality of manufacturing when compared to alternative methods;

- Our ability to scale-up our IntegraSyn™ manufacturing approach to Good Manufacturing Practice ("GMP") batch size;

- Our ability to explore IntegraSyn™ as a process which may confer certain benefits, either cost, yield, speed, or all of the above, when pursuing specific types of cannabinoids, and filing a provisional patent application for same;

- Plans regarding our next steps, options, and targeted benefits of the IntegraSyn™ approach;

- Our ability to potentially earn revenue from our IntegraSyn™ approach by (i) becoming a supplier of APIs to the pharmaceutical industry and/or (ii) providing pharmaceutical-grade ingredients to the non-pharmaceutical market;

- Our plans to work closely with regulatory authorities and clinical experts in developing the clinical program for INM-755;
- Our ability to successfully prosecute patent applications for the treatment of glaucoma;
- Our ability to complete formulation development and proof-of-concept *in vivo* studies for INM-088 in preparation for clinical trial enabling pharmacology and toxicology studies expected to begin in 2H21;
- INM-088 being a once-a-day or twice-a-day eye drop medication that will compete with treatment modalities in the medicines category;
- The potential of INM-088 to assist in reducing the high rate of non-adherence with current glaucoma therapies;
- Our belief that with a novel delivery system, the reduction of IOP and/or providing neuroprotection in glaucoma patients by topical (eye drop) application of cannabinoids will hold significant promise as a new therapy;
- The potential for any of our patent applications to provide intellectual property protection for us;
- Our ability to secure insurance coverage for shipping and storage of Product Candidates, and clinical trial insurance;
- Our ability to expand our insurance coverage to include the commercial sale of approved drug products;
- Our continuing investment in each of our non-core asset programs;
- Our ability to find strategic partners to assist with development of non-core asset programs;
- Our ability to initiate discussions with potential partners;
- Our ability to position ourselves to achieve value-driving, near term milestones for our Product Candidates with limited investment;
- Our ability to execute our business strategy;
- Critical accounting estimates;
- Management’s assessment of future plans and operations;
- The outlook of our business and the global economic and geopolitical conditions;
- The competitive environment in which we and our business units operate; and
- Our ability to declare dividends.

Any forward-looking statements in this Annual Report on Form 10-K reflect our management's beliefs and views with respect to future events and are based on estimates and assumptions as of the date of this 10-K and are subject to risks and uncertainties. We discuss many of these risks in greater detail under "Risk Factors." Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

You should read this Annual Report on Form 10-K and the documents that we reference in this Form 10-K and have filed as exhibits, completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of the forward-looking statements in this Annual Report on Form 10-K by these cautionary statements. Except as required by law, each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

As used in this Annual Report on Form 10-K, unless otherwise stated or the context otherwise indicates, references to "InMed," the "Company," "we," "our," "us" or similar terms refer to InMed Pharmaceuticals Inc., and our wholly owned subsidiaries.

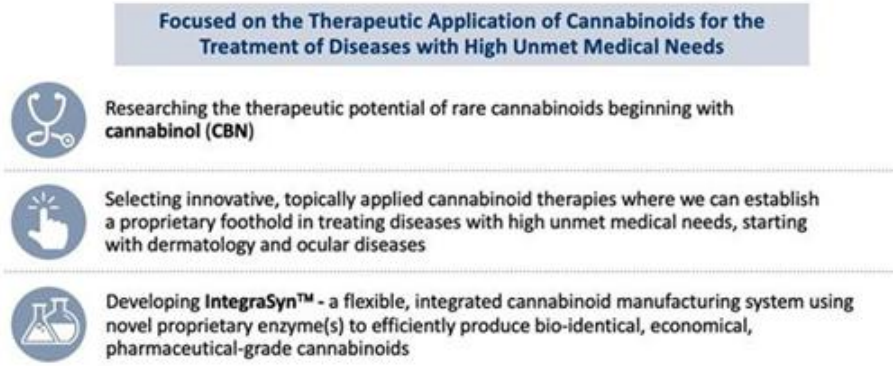
ITEM 1. BUSINESS

Overview

We are a clinical stage pharmaceutical company developing a pipeline of prescription-based products targeting treatments for diseases with high unmet medical needs as well as developing proprietary manufacturing technologies.

We are developing an integrated biosynthesis-based manufacturing approach, called IntegraSyn™, for synthesizing pharmaceutical-grade cannabinoids, for potential use in product candidates. We are dedicated to delivering new therapeutic alternatives to patients who may benefit from cannabinoid-based medicines. Our approach leverages on the several thousand years' history of health benefits attributed to the Cannabis plant and brings this anecdotal information into the 21st century by applying tried, tested and true pharmaceutical drug development discipline and a scientific approach to establish non-plant-derived (synthetically manufactured), individual cannabinoid compounds as clinically proven, FDA-approved medicines. While our activities do not involve direct use of Cannabis nor extracts from the plant, we note that the U.S. Food and Drug Administration ("FDA") has, to date, not approved any marketing application for Cannabis for the treatment of any disease or condition and has approved only one Cannabis-derived and three Cannabis-related drug products. Our APIs, which are the ingredients that give medicines their effects, are synthetically made and, therefore, we have no interaction with the Cannabis plant. We do not grow nor utilize Cannabis nor its extracts in any of our products; our products are applied topically (not inhaled nor ingested); and, we do not utilize THC or CBD, the most common cannabinoid compounds that are typically extracted from the Cannabis plant, in any of our products. The API under development for our initial two drug candidates, INM-755 for EB and INM-088 for glaucoma, is CBN. Additional uses of both INM-755 and INM-088 are being explored, as well as the application of additional rare cannabinoids to treat diseases.

We believe we are positioned to develop multiple product candidates in diseases which may benefit from medicines based on rare cannabinoid compounds. Most currently approved cannabinoid therapies are based specifically on CBD and/or THC and are often delivered orally, which has limitations and drawbacks, such as side effects (including the psychoactive effects of THC). Currently, we intend to deliver our rare cannabinoid pharmaceuticals through various topical formulations (cream for dermatology, eye drops for ocular diseases) as a way of enabling treatment of the specific disease at the site of disease while seeking to minimize systemic exposure and any related unwanted systemic side effects, including any drug-drug interactions and any metabolism of the active pharmaceutical ingredient by the liver. THC and CBD can be obtained either from plant extraction or chemically synthesized. We plan to access rare cannabinoids via all non-extraction approaches, including our IntegraSyn™ approach, thus negating any interaction with or exposure to the *Cannabis* plant.



On June 29, 2021, we announced that we entered into a non-binding Letter of Intent to acquire BayMedica Inc., a private company based in Nevada and California that specializes in the manufacture and commercialization of rare cannabinoids. On September 10, 2021, we entered into a definitive agreement to acquire BayMedica. Closing of the transaction is subject to certain standard closing conditions. See "Business – Recent Development – *Definitive Agreement to acquire BayMedica, Inc.*"

Corporate Information

We were originally incorporated in the Province of British Columbia, under the BCBCA, on May 19, 1981 with the name "Kadrey Energy Corporation". We have undergone a number of corporate name and business sector changes since its incorporation, ultimately changing its name to "InMed Pharmaceuticals Inc." on October 6, 2014 to signify our intent to specialize in cannabinoid pharmaceutical product development. Our internet address is https://www.inmedpharma.com/.

Employees and Human Capital

Our management team is comprised of highly experienced pharmaceutical and biotechnology executives with successful track records in researching, developing, gaining approval for and commercializing novel medicines to treat serious diseases. Each member of our management team has over 20 to 30 years of industry experience, including our CEO, CFO, and (Sr.) Vice Presidents of Clinical and Regulatory Affairs, of Preclinical Research and Development, and of Chemistry, Manufacturing and Controls. Together, this team has covered the spectrum of pharmaceutical drug discovery, preclinical research, formulation development, manufacturing, human clinical trials, regulatory submissions and approval, and global commercialization. Additionally, the team has significant experience in company formation, capital raises, mergers/acquisitions, business development, and sales and marketing in the pharmaceutical industry. Our Board is constituted by individuals with significant experience in the pharmaceutical and biotechnology industries. As of June 30, 2021, including our management team, we had 12 full time employees and no part time employees. None of our employees are represented by a collective bargaining agreement, nor have we experienced any work stoppage. We believe that our relations with our employees are good.

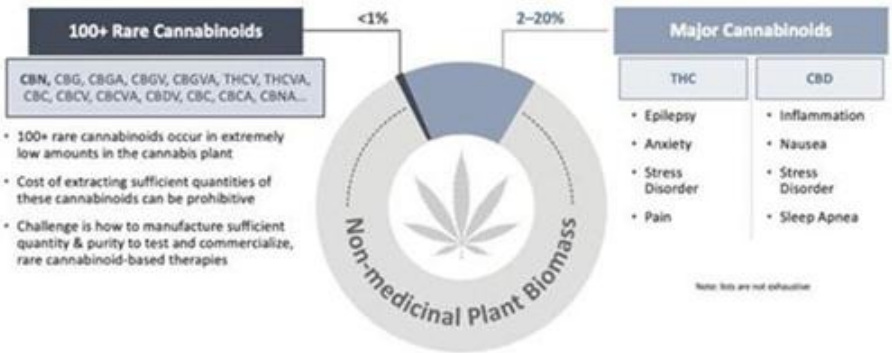
We are committed to growing our business over the long-term. As a result of the competitive nature of the industry in which we operate, employees have significant career mobility and as a result, the competition for experienced employees is great. The existence of this competition, and the need for talented and experienced employees to realize our business objectives, underlies the design and implementation of our compensation programs. At the same time, the Company seeks to keep its approach to compensation simple and streamlined to reflect the still relatively moderate size of the Company. We have compensation, leave and benefits programs necessary to attract and retain the talented and experienced employees necessary to develop our business including competitive salaries, stock options awards to permanent employees, both upon initial hiring and annually thereafter, and pay annual bonuses to permanent employees based on the achievement of corporate and/or personal objectives. We have developed an Employee Handbook that contains all corporate policies and guidelines for professional behavior. The Company policies and practices apply to all employees, regardless of title. These guidelines include our Code of Business Conduct, policies for corporate disclosure, insider trading and whistle blower.

In response to the COVID-19 pandemic, commencing in March 2020, we implemented a work from home mandate and ceased all non-essential business travel. In the recent months, some employees have transitioned back to working on-site in conjunction with the implementation of additional safety and infection prevention measures including enhanced cleaning, additional personal protective equipment, and contact tracing protocols. We continue to provide our employees with the option to work from home.

Rationale for Use of CBN in Pharmaceutical Drug Development

CBN is one of several rare cannabinoids naturally produced in the *Cannabis* plant, albeit at significantly lower levels relative to the more commonly known THC and CBD. Despite their common origin, different cannabinoids have been observed to have distinct physiological properties, we are specifically exploring these unique effects of CBN, as well as other rare cannabinoids, and their therapeutic potential to treat disease.

Rare vs. Major Cannabinoids: Types, Prevalence & Application



Our extensive preclinical testing has identified several unique properties of CBN that outperformed both THC and CBD in various disease-related assays and models. CBN can act with higher potency when interacting with some receptor systems in the body, while acting with lower potency for others.

INM-755, our lead product candidate, is being developed as a topical skin cream formulation containing CBN for the treatment of symptoms related to EB, a rare genetic skin disease characterized by fragile skin that blisters easily from minimal friction that causes shearing of the skin layers. The blisters become open wounds that do not heal well.

In addition to relief of symptoms, inflammation, pain, and others, we believe INM-755 may impact the underlying disease by enhancing skin integrity in a subset of EB patients. We have completed more than 30 preclinical pharmacology and toxicology studies to investigate the effects of CBN. Several of these nonclinical studies explored the effect on important symptoms such as pain and inflammation. In *in vitro* pharmacology studies, CBN demonstrated activity in reducing markers of inflammation. CBN upregulated expression of a type of keratin called keratin 15, or “K15”, which might lead to skin strengthening and reduced blister formation in EB simplex, or “EBS”, patients with mutations in another keratin called keratin 14, or “K14”. The anti-inflammatory activity of CBN may be beneficial in healing chronic wounds caused by prolonged inflammation. Following a review of our toxicology studies, the Netherlands National Competent Authority and Ethics Committee approved the initiation of a Phase I clinical study in healthy volunteers. We have safety data with INM-755 cream in 22 healthy adult volunteers from our first Phase I study (755-101-HV) in which subjects had the INM-755 cream applied to their upper backs daily for 14 days. An interim safety analysis of the first 16 subjects was reviewed by the Netherlands National Competent Authority and Ethics Committee and determined to be adequate to allow initiation of the second Phase I study testing INM-755 cream on small wounds. That second study has completed and we now have safety data for INM-755 cream applied to small open wounds daily for 14 days in 8 healthy adult volunteers.

A regulatory application to support our first Phase I clinical study in healthy volunteers with INM-755 (755-101-HV) was submitted November 4, 2019 and approved December 6, 2019. The initial Phase I clinical study evaluated the safety, tolerability, and pharmacokinetics of INM-755 cream in healthy volunteers with normal, intact skin; the volunteers had cream applied once daily for a period of 14 days. All subjects in this first clinical trial completed treatment and evaluations by March 27, 2020. A regulatory application was approved April 17, 2020, for a second Phase I clinical study of healthy volunteers to test the local safety and tolerability of applying sterile INM-755 cream to small wounds once daily for 14 days. As with the initial Phase I trial, the second trial (755-102-HV) was conducted with two different drug concentrations and a vehicle control. Enrollment began in early July 2020 and the clinical trial completed treatment and evaluations at the end of September 2020. The safety of INM-755 will continue to be assessed throughout its clinical development.

INM-755 cream was well tolerated in the two Phase I clinical studies in healthy volunteers and the next step will be to study INM-755 cream in patients with EB (Study 755-201-EB). Regulatory applications to support this global trial have been filed and are under review by the National Competent Authorities and Ethics Committees in Germany, France, Italy, Austria, Israel, Greece and Serbia, with patient enrollment expected to begin in 2H21.

CBN is also the active ingredient in our second drug candidate, INM-088, which is in preclinical studies as a potential treatment for glaucoma. We are conducting studies to test INM-088's ability to provide neuroprotection and reduce intraocular pressure in the eye. We compared several cannabinoids, including CBD and THC, to determine which cannabinoid was the best drug candidate for the treatment of glaucoma. Of all the cannabinoids examined in preclinical studies, CBN demonstrated the most optimal neuroprotection effect. Furthermore, CBN also exhibited intraocular pressure reduction capability. INM-088 is in advanced formulation development.

Current treatments for glaucoma primarily focus on decreasing fluid build-up in the eye. Our data has shown that INM-088 may provide neuroprotection in addition to modulating intraocular pressure by improving drainage of fluid in the eye. Thus far, we have conducted numerous preclinical pharmacology studies to demonstrate these effects.

For all current and future Product Candidates we intend to submit NDAs (or their international equivalents) in most major jurisdictions, including the U.S.

We are actively establishing a broad patent portfolio to protect our commercial interests in utilizing CBN and other rare cannabinoids across these and other diseases. We have also filed multiple patent applications for our integrated, biosynthesis-based manufacturing approach. If granted, these patents may confer meaningful protection to the commercial potential for these technologies.

Our Strengths

We are the only clinical-stage company with both multiple cannabinoid drug candidates, in multiple therapeutic categories, that also is developing an integrated biosynthesis-based manufacturing approach, called IntegraSyn™, to meet the needs of the rapidly evolving pharmaceutical drug needs for rare cannabinoids. Key strengths include:

Experienced executive team and board of directors with proven track records.

One key critical success factor in the field of pharmaceutical drug development is the experience and skill set of the individuals leading the company. We have been successful in attracting and retaining executive and directors with extensive (20+ years) experience in all facets of the pharmaceutical industry, including fundamental research and development, drug formulation, clinical trial execution, regulatory approvals, pharmaceutical commercialization, company and capital formation, business development, legal, and corporate governance. Our leadership team is well-poised to lead use through all facets of drug development and into regulatory approval and commercialization, either internally or externally via partnerships. It is this group of individuals that will help optimize our chances for success.

Innovative IntegraSyn™ manufacturing approach.

IntegraSyn™ is our integrated cannabinoid synthesis approach designed to efficiently produce bio-identical, economical, pharmaceutical-grade cannabinoids. IntegraSyn's™ scalable and flexible manufacturing approach integrates multiple commercially proven methods to efficiently produce cannabinoids utilizing cost-effective processes.

Leading experts in the therapeutic potential of the rare cannabinoid CBN.

We have invested significant time and effort in understanding characteristics and therapeutic potential of our first rare cannabinoid drug candidate, CBN. As such, we are positioning ourselves to be a world leader in the pharmaceutical development of this cannabinoid. We anticipate that CBN will be the first of several such drug candidates.

Targeting medical applications of rare cannabinoids to treat diseases with high unmet medical needs.

Significant investment in understanding the therapeutic potential of CBN has provided us with important insight as to how best to develop this class of compounds for treating various diseases. We intend to apply this know-how across several diseases that may benefit from cannabinoid-based medicines.

Diverse portfolio of patent applications covering a spectrum of commercial opportunities.

Success in pharmaceutical markets often rests with the strength of intellectual property, including patents, to protect our commercialization interests. We have filed several patents on our novel findings and expect to continue to do so.

Our Business Strategy

Our goal is to become a global leader in the manufacturing and clinical development of rare cannabinoids while continuing to avoid any direct interaction with the *Cannabis* plant. Our strategies to accomplish this include:

Advance INM-755 and INM-088 through preclinical and clinical development, thereby establishing important human proof-of-concept in multiple therapeutic applications.

These activities are well underway, at various stages, for both INM-755 for diseases of the skin and INM-088 for diseases of the eye. We have the internal capabilities to design and execute, together with multiple external vendors, the preclinical data sets and clinical studies required to advance pharmaceutical drugs towards regulatory submission.

Establishing partnerships for our various technologies, at different stages of development, to expedite their path towards commercialization in a resource-efficient manner.

We do not currently have an organization for the sales, marketing and distribution of pharmaceutical products. With respect to the commercialization of each Product Candidate, we may rely on i) a "go-it-alone" commercialization effort; ii) out-licensing to third parties; or iii) co-promotion agreements with strategic collaborators for of our Product Candidates. To develop the appropriate commercial infrastructure internally, we would have to invest financial and management resources, some of which would have to be deployed prior to any confirmation our products will be approved by regulatory authorities. Any decision on a "go-it-alone" commercialization effort versus out-licensing to third parties will depend on various factors including, but not limited to, the complexity, the expertise required and related cost of building any such infrastructure for our Product Candidates. For INM-755 in EB, it is conceivable that we could oversee the clinical trials, given the relatively small patient sizes expected for such trials, and build the requisite internal commercialization infrastructure to self-market the product to EB clinics, which are limited in number and provide direct access to the vast majority of EB patients. For INM-088 in glaucoma, because of the potentially large clinical trial patient enrollees (possibly several thousand) and the extensive sales effort required to reach the many thousand prescribing physicians, we may consider exploring partnership opportunities early in the development process.

Develop a cost-efficient manufacturing source for high quality rare cannabinoids as API for our core internal drug candidate pipeline, for licensing opportunities of non-core drug candidates, as well as a potential source for cannabinoids in the non-pharmaceutical space.

Extraction of rare cannabinoids from the plant is economically impractical for commercial applications. Modern approaches to product manufacturing, including chemical synthesis and biosynthesis, may be appropriate in individual situations depending on the targeted cannabinoid, the quantity that is desired as well as the requisite quality specification for the intended market segment (consumer vs. pharmaceuticals). We are developing an integrative cannabinoid synthesis approach designed to produce bio-identical, economical, pharmaceutical-grade cannabinoids in a cost-efficient manner, called IntegraSyn™, that may bring incremental benefits over the traditional chemical synthesis and biosynthesis approaches. The cannabinoids that will be produced from IntegraSyn™ are targeted to be bio-identical to the naturally occurring cannabinoids. Our 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.

Continue to explore the potential of a wide array of rare cannabinoids and their analogs/variants to treat diseases based on our significant history in cannabinoid research and lead drug candidate identification.

Individual cannabinoids affect a range of different receptors in the human body, including, but not limited to, known endocannabinoid receptors. As such, they are responsible for a wide variety of pharmacological effects. However, due to the limited research into these varying effects, a full understanding of the role of each cannabinoid compound remains elusive. As a company, we have been formally investigating the utility of cannabinoids in treating disease for over 5 years.

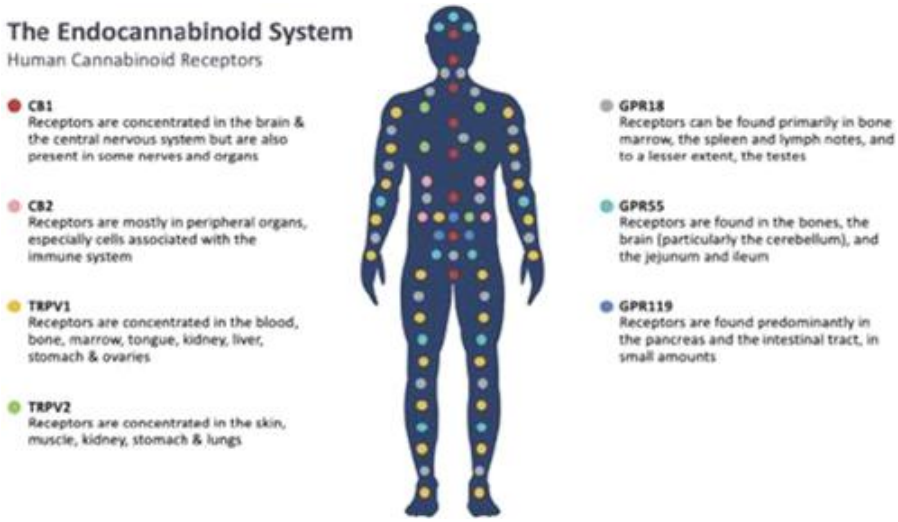
We have numerous options for commercializing our various technologies. At the core of our activities, we are a drug development company focused on commercializing important cannabinoid-based medicines to treat diseases with high unmet medical needs.

Cannabinoid Science Overview

Cannabinoids are a class of compounds that exist throughout nature and can be found in significant numbers and varying quantities in the *Cannabis* plant. The two predominant, or major, cannabinoids in the *Cannabis* plant are THC and CBD. These two exist in relatively large quantities in the plant and can be easily extracted, which has led to significant research into these two compounds over the previous several decades. Nevertheless, there are over 100 additional cannabinoid compounds found in the plant, referred to as minor or rare cannabinoids. Each cannabinoid has one or more specific chemical differences that may confer unique physiological properties in humans.

Cannabinoid receptors are found throughout the body and are involved in many different functions, such as pain perception, memory, immune function and sleep. Cannabinoids act as messengers that bind to cannabinoid receptors, as well as other receptors, signaling the endocannabinoid system into action. The relevance of the endocannabinoid system on many important physiological processes has made cannabinoids an important target to potentially treat a number of diseases and symptoms.

Two cannabinoid receptors in the human body are the endocannabinoid receptor 1 (CB1), which is more significant to the central nervous system, and endocannabinoid receptor 2 (CB2), which is more common with the immune system. Scientific literature suggests that CBN has a greater effect on the immune system than on the central nervous system; however, information on the effects of CBN on the endocannabinoid system is limited. We continue to research the effects of CBN and how it interacts and modulates receptors in the body.



Significant investigation is currently underway to determine the role of cannabinoids in affecting other receptor systems in the human body. Extensive preclinical testing undertaken by us has identified several unique properties of CBN that outperformed both THC and CBD in various disease-related assays and models. CBN can act with higher potency when interacting with some receptor systems in the body, while acting with lower potency for others.

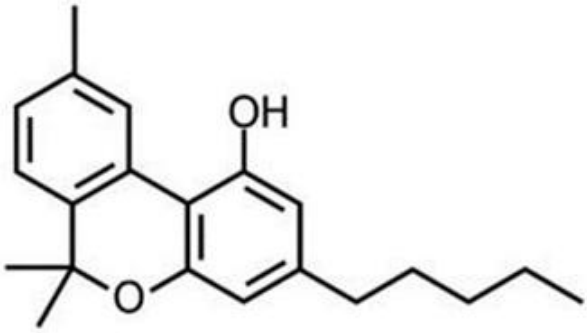
Physical and Chemical Properties of Active Pharmaceutical Ingredient CBN

CBN is a stable, highly lipophilic cannabinoid compound. It is insoluble in water, but soluble in organic solvents.

International Non-proprietary Name:	Cannabinol (abbreviated CBN)
International Union of Pure and Applied Chemistry Name:	6,6,9-trimethyl-3-pentyl-benzo[c]chromen-1-ol
Chemical Abstracts Service Registration Number:	521-35-7
United States Adopted Name:	Cannabinol

The molecular formula is C21H26O2 and the molecular weight is 310.43 g/mol. CBN has no chiral centers.

Figure 1 Structural Formula of CBN



CBN occurs naturally as a trace component of *Cannabis*, or as a degradation product of D9-THC. However, our product candidates utilizing CBN contain highly purified synthetic CBN, rather than a biological extract.

CBN as our Lead API

As the API in our lead therapeutic programs in dermatology (INM-755) and ocular disease (INM-088), CBN has demonstrated several compelling features, including:

- A rare cannabinoid with unique physiological properties;
- A natural compound, but designated as a new chemical entity, or "NCE" for pharmaceutical development;
- Found in trace amounts in the plant and impractical to extract; and
- Our preclinical studies show therapeutic potential for dermatology and ocular diseases.

We believe that we offer a differentiated approach to selecting and delivering rare cannabinoids vis-à-vis other current competitors, many of whom are exclusively focused on THC and/or CBD as their therapeutic agents. We believe that rare cannabinoids in general, and CBN in particular, represent significant opportunities to treat a wide spectrum of diseases with high unmet medical need. In our preclinical testing, CBN has demonstrated therapeutic potential beyond CBD for several symptoms and disease-modifying effects for dermatological conditions and has demonstrated benefits beyond CBD and THC for ocular diseases. We believe that a topical application of CBN is targeted to maximize the clinical benefit at the disease site (skin, eye) while minimizing the systemic exposure and any corresponding adverse effects.

Additionally, our IntegraSyn™ manufacturing approach may help unlock access to rare cannabinoids for further pharmaceutical development as a source of cost-efficient, high purity API.

Our Product Candidates and Technologies

Development of a Biosynthesis-based Process for the Manufacturing of Cannabinoids

Introduction:

While there are over 100 different individual cannabinoids in the *Cannabis* plant, the two most well-known and studied compounds are also the two that occur in the largest quantities: THC and CBD. Due to their relative abundance in the *Cannabis* plant, it is also only THC and CBD that can currently be extracted economically. Among other challenges, the expense of extraction – or that of synthetic manufacturing – of the remaining minor or rare cannabinoids, may be orders of magnitude greater than that of THC and CBD.

Nevertheless, like the major cannabinoids THC and CBD, these rare cannabinoids may hold very important physiological benefits in humans. The challenge, and opportunity, that we have identified, and seek to solve, is engineering an integrated manufacturing approach, specifically for the production of pharmaceutical-grade cannabinoids – with an immediate focus on the rare cannabinoids – which is pure, cost-efficient, and consistently yields bio-identical cannabinoids as compared to the compounds found in nature, among several other benefits. We believe that providing this solution would be a critical success factor not only for our drug development strategy, but also for other biotechnology and pharmaceutical companies as well.

In 2015, we commenced the development of a biosynthesis process for the manufacturing of cannabinoids through a research collaboration with Dr. Vikramaditya Yadav from the Department of Biological and Chemical Engineering at the University of British Columbia. Utilizing the basis of a specific vector created for us, Dr. Yadav initiated a Research and Development Project titled "The Metabolic Engineering of yeast and bacteria for synthesis of cannabinoids and *Cannabis*-derived terpenoids" under a collaborative research agreement. Subsequently, we signed a Technology Assignment Agreement with the University of British Columbia whereby we retain 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. Total commitments under research agreements associated with this collaboration totaled C$418,044 of which all have been paid.

Microorganisms do not naturally produce cannabinoids nor the enzymes required for their assembly. However, utilizing genome engineering to modify their metabolism, we have systematically introduced different aspects of the *Cannabis* plant's metabolic pathways into a bacteria (*E. coli*), referred to as a host, and have reported what we believe to be the first-of-its-kind production of fully differentiated cannabinoids in this bacteria. This research served as the basis for the subsequent development of a new, integrated approach to cannabinoid manufacturing that we refer to as IntegraSyn™. IntegraSyn™ is a flexible, integrative cannabinoid synthesis approach utilizing novel enzyme(s) to efficiently produce bio-identical, economical, pharmaceutical-grade cannabinoids without the risk and high-resource requirements of an agriculture growing operation.

In early research, we utilized the specific gene sequences from the *Cannabis* plant that encode the instructions to make specific enzymes that enable cannabinoid synthesis and subsequently transferred these genes into *E. coli*. This intervention converts the bacterium into a manufacturing system that produces substantial quantities of the target cannabinoids. This technology may provide an opportunity for industrial-scale manufacturing of cannabinoids, which we believe would be a significant improvement over existing manufacturing platforms such as direct extraction from *Cannabis* plants or chemical synthesis. Specifically, direct extraction is quite cumbersome, time-consuming and relatively low yielding for all but a few of the cannabinoid compounds. In contrast, the use of microorganisms for manufacturing cannabinoids eliminates the need for an agricultural-centric process, including planting, growing, harvesting and extraction. There are also economic and environmental advantages including substantially reduced resource requirements (*e.g.*, water, electricity, manpower, etc.). Furthermore, the agricultural approach has several hard-to-remove impurities (*e.g.*, pesticides, etc.), potentially presenting safety issues. As with all crops, yield fluctuations influenced by the environment present an additional risk. Only a few of the 100+ cannabinoids can currently be extracted from the plant in sufficient quantities to make the process economically viable. For certain cannabinoids, chemical synthesis, by comparison, can be challenging and expensive due to the complexity of these molecules. For these reasons, we believe that a modified biosynthetic approach may be superior to both of these alternatives for cannabinoid production.

Cannabinoids are prenylated polyketides that are derived from fatty acid and terpenoid precursors. The biosynthesis of these molecules involves four metabolic pathways, two of which originate from central carbon metabolism. The first pathway (the Terpenoid pathway referenced in Figure 1 below) culminates with the synthesis of geranyl pyrophosphate, or "GPP", and neryl pyrophosphate, or "NPP". These molecules are terpenoid building blocks, or precursors. The second cannabinoid biosynthetic pathway, or the Polyketide pathway, is a truncated version of a polyketide biosynthetic pathway and results in the second requisite precursor, either: olivetolic acid, or "OA", and/or divarinic acid, or "DVA". The polyketide precursors subsequently combine with the terpenoid precursors in the third pathway, which comprises a single, specialized enzyme in the plant, to yield the 'gateway' cannabinoids, the cannabinoids that act as precursor molecules for further differentiation into all of the others. For instance, OA combines with GPP to yield the gateway cannabinoid cannabigerolic acid, or "CBGA". The gateway cannabinoids are subsequently modified in the fourth pathway to yield cannabinoids such as tetrahydrocannabinolic acid and cannabidiolic acid. We refer to the fourth pathway as the down-stream pathway involving the transformation of the acid form of the cannabinoids into the non-acid form via enzymes called synthases. Synthesis of CBGA is the most dominant pathway in the plant, resulting in high quantities of the down-stream cannabinoids THC and CBD. Other combinations of the various precursors result in different gateway cannabinoids which, in turn, leads to diversification into the 100+ cannabinoids.

Figure 1:

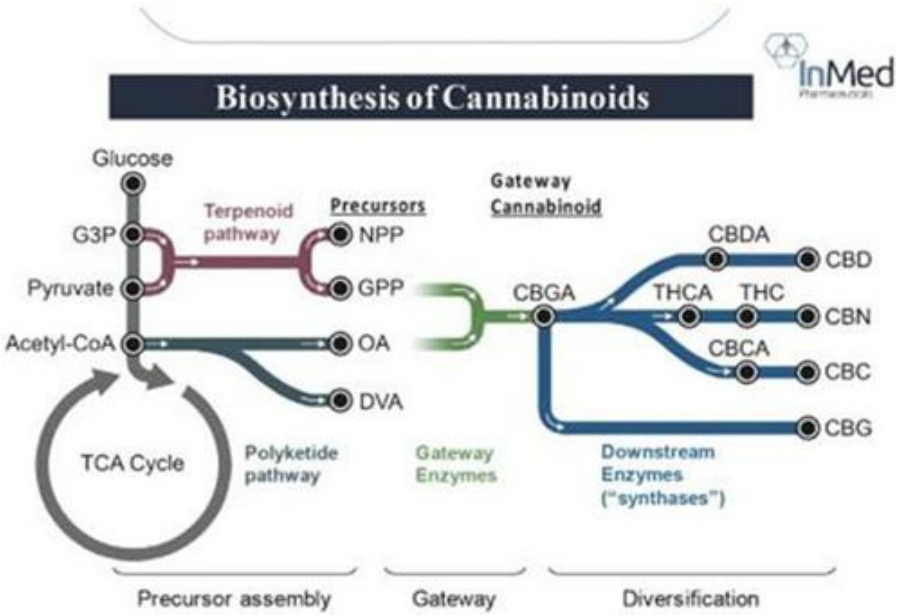


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Figure 1: Synthesis of the gateway cannabinoid CBGA is the most prevalent pathway in the *Cannabis* plant, leading to high levels of both THC and CBD. Our technology, IntegraSynTM, is designed to mimic the natural biosynthesis of cannabinoids starting with an *E. coli* biofermentation process combined with additional common pharmaceutical manufacturing technologies.

Initially, we explored the use of several potential hosts for cannabinoid biosynthesis, including the bacterium *E. coli* and the yeast *S. cerevisiae.* Our preliminary investigations identified *E. coli* as a superior host for production of the primary gateway cannabinoid, CBGA.

Our earlier research led to the successful construction of the terpenoid biosynthetic pathway and the gateway pathway for synthesis of CBGA and the down-stream diversification pathways for synthesis of other cannabinoids. We have confirmed the biosynthesis of the cannabinoids using qualified High-Performance Liquid Chromatography methodologies and Proton Nuclear Magnetic Resonance, or “H-NMR”, instrumentation.

Our goal for the biosynthesis program has always been to achieve the simplest, most efficient, scalable, flexible and economical solution with the least steps and fastest production cycle, to make bio-identical cannabinoids to those found in nature. While developing our bacterial biosynthesis system over the past five years, we further optimized the fermentation conditions and the purification processes. However, we identified several limitations associated with the traditional biosynthesis process. Working with our CDMOs, we have continued development and optimization of our manufacturing processes that led to the development of IntegraSyn™.

IntegraSyn™ is designed to potentially overcome the limitations of traditional cannabinoid production approaches. Extraction from the plant of rare cannabinoids can be prohibitively expensive due to the limited quantity of these chemicals in the plant; is a resource intensive process with a large carbon footprint; requires extended, agricultural-related cycle times; and, may face certain quality and consistency issues related to pesticide removal, which may also face import/export restrictions. Chemical synthesis is a standard pharmaceutical manufacturing process but may be limited in its ability to manufacture bio-identical cannabinoids, depending on the complexity of the target cannabinoid; removal of non-bio-identical isomers from the final product may result in significant loss of yield; and, chemical synthesis may prove to be complicated and costly to scale-up due to purification techniques involved. Traditional biosynthesis as a standalone process may be limited in its final product yield due to the bioburden/stress placed on the microbe due to the complexity of the final products; there may be separation and purification challenges when isolating the cannabinoid from the mixture; and, the process costs and complexity may increase with each differentiated cannabinoid.

IntegraSyn™ integrates various pharmaceutical manufacturing processes to maximize yield and minimize the cost of cannabinoid synthesis. We utilize proprietary, high efficiency enzymes produced via the *E. coli* biofermentation portion of the IntegraSyn™ approach for the production of a cannabinoid. Our 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 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. Our initial data demonstrated a substantial increase in cannabinoid production yield per fermentation batch compared to our traditional biosynthesis method. The 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

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.

We currently view our options for achieving GMP production capabilities as three-fold: (a) building our own dedicated biosynthesis facility; (b) accessing existing manufacturing capacity via leases with third parties; or (c) licensing our process/know-how to a CDMO with existing infrastructure to produce the requisite preclinical, clinical and commercial-scale supply of our Product Candidates.

Other Applications of our IntegraSyn™ Approach:

While the main objective in developing our IntegraSyn™ approach remains to innovate an integrative, efficient and cost-effective method for the production of cannabinoids for use in our pharmaceutical Product Candidates, we remain optimistic that there may exist additional business opportunities for us to monetize this technology, including but not limited to supplying cannabinoid drugs to the broader pharmaceutical industry. We continue to consider this, and other opportunities, in order to optimize value for our company. Success in this strategy will be largely dependent on the ability of IntegraSyn™-produced cannabinoid products to be price competitive with other technologies.

Competitive Conditions:

Other methods of synthetic cannabinoid manufacturing that are currently being investigated by several entities include:

- Biosynthesis (generation of the final compound inside a single system) using yeast, non-*E. coli* bacteria, or other approaches (algae, etc.) as a host organism;
- Synthetic chemistry; and
- Combinations of these above-listed technologies.

Several companies (see chart below) are active in the cannabinoid manufacturing space including BayMedica, BioVectra, CB Therapeutics, Cellibre, Cronos, Ginko Bioworks, Hyasynth, Intrexon, KinetoChem, Librede, and Purisys, among several others.

Key Milestones:

On May 21, 2015, we commenced the development of our biosynthesis process for the manufacturing of cannabinoids through a research collaboration with Dr. Vikramaditya Yadav from the Department of Biological and Chemical Engineering at the University of British Columbia under a project titled “The Metabolic Engineering of yeast and bacteria for synthesis of cannabinoids and *Cannabis* derived terpenoids”. On May 31, 2017, we signed a Technology Assignment Agreement with the University of British Columbia whereby we retain 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 sub-licensing revenues. Royalties are payable, on a country-by-country basis, until such time as there is no longer a patent pending, unexpired patent or issued patent derived from the transfer technology, in any country. On May 15, 2018, we extended our Collaborative Research Agreement, which may be terminated by either party upon 30 calendar days written notice, with the University of British Columbia for an additional three years.

We, in conjunction with our collaboration partners at the University of British Columbia, continue to advance the production platform for the biofermentation of cannabinoids. Optimization of the vector continued in parallel with the identification of optimal fermentation conditions and down-stream purification processes with third party contract manufacturing organizations. Optimization of the fermentation conditions was a project conducted with the National Research Council Canada at their dedicated fermentation facility in Montreal, Quebec. While we do not anticipate any new intellectual property arising from this venture, under the terms of this research agreement, the National Research Council of Canada owns all new IP and we have a sole, fully-paid-up license to all commercialization rights of such IP. This project was initiated in October 2018 and concluded in the second half of 2019.

In February 2019, we entered into a separate process development collaboration by way of a Master Service Agreement with the Almac Group (UK), or “Almac”, a seasoned GMP pharmaceutical contract development and manufacturing organization. Almac was initially tasked to develop a down-stream purification process to support the fermentation optimization activities at the National Research Council of Canada. In addition, we also engaged Almac to assist in the development of an “alternative” manufacturing process for cannabinoids which integrates the best available technologies across the spectrum of pharmaceutical drug production. This process is now referred to as IntegraSyn^{TM}. We retain all rights to this new process while Almac retains certain rights-of-first refusal on the production and supply of certain precursors, or starting materials, for this alternative process.

Other Milestones Include:

- September 12, 2017 – We announced the filing of a provisional patent application entitled, "Metabolic Engineering of *E. coli* for the Biosynthesis of Cannabinoid Products" (#62/554,494) pertaining to our biosynthesis program for the manufacture of cannabinoids that are identical to those found in nature. We expect that this patent application, since converted into an application pursuant to the Patent Cooperation Treaty, or a "PCT Application", and pursued in key jurisdictions throughout the world, will provide significant commercial protection for our *E. coli*-based expression system to manufacture any of the 100+ cannabinoid compounds that may have a medical impact on important human diseases. This is the first in a series of patent applications directed to various aspects of our biosynthesis program. See "Intellectual Property"

- September 19, 2017 – We announced retaining the consulting services of Ben Paterson, P.E., to assist in defining the pathway for the scale-up, purification, and manufacturing strategies for our cannabinoid biosynthesis program. Mr. Paterson has nearly four decades of experience in developing pharmaceutical manufacturing and purification processes. He was previously a Senior Engineering Advisor with Eli Lilly and Company, where he spent 37 years, including 24 years in their biosynthesis division. His expertise includes first defining processes in the lab, then scaling up to pilot and commercial scale. Mr. Paterson has conducted design, construction, operation, optimization, and troubleshooting of both large and small molecule drug facilities including the *E. coli* biosynthesis of numerous products. He brings experience in the seamless integration of biochemistry, equipment, and process control to successfully define a process at scale.

- September 25, 2017 – We announced an update on the significant advancements in our technology for the microbial biosynthesis of cannabinoids. We have successfully demonstrated an ability to selectively produce various gateway cannabinoids using genetically engineered microorganisms. These molecules can be functionalized further to produce any of the 100+ down-stream cannabinoids, or those formed from an enzymatic reaction with the gateway cannabinoid CBGA, found naturally in the *Cannabis* plant. We are actively employing this production chassis to synthesize compounds for certain pharmaceutical research programs. Our biosynthesis program has resulted in what we believe to be two significant firsts:

    - new metabolic pathway for manufacturing the terpenoid family of cannabinoid precursors that is much more robust than other microbial expression systems tested by us; and

    - first-ever production of any fully assembled down-stream cannabinoids in *E. coli*, beginning with genetic material to produce precursors, enzymes, and synthases.

- September 10, 2018 – We announced the filing of a PCT Application for biosynthesis which claims a priority date from September 5, 2017 (PCT/CA2018/051074). The PCT Application filing is a conversion from the provisional patent filed in September 2017.

- September 11, 2018 – We announced that the University of British Columbia, laboratories of Professor V. Yadav, was awarded a NSERC grant totaling C$136,000 over a three-year period to support its collaborative research and development project with us entitled "Microbial metabolic engineering for cannabinoid biosynthesis".

- October 3, 2018 – We announced entering into a research agreement with the National Research Council of Canada in Montreal, Canada, for biofermentation process development and bioreactor scale-up optimization for cannabinoid biosynthesis in *E. coli*. at the National Research Council of Canada's dedicated biosynthesis site in Montreal. This project includes the technology transfer of the up-stream fermentation conditions and HPLC assay from UBC to the National Research Council facilities in Montreal.

- December 4, 2018 – We announced that we signed a contribution agreement with the National Research Council Canada Industrial Research Assistance Program, or National Research Council of Canada IRAP, to receive funding of up to C$500,000 to support our ongoing research and development efforts in cannabinoid biosynthesis. National Research Council of Canada IRAP provides advisory services and funding to Canadian businesses to promote accelerated growth and technology innovation. In particular, funding from National Research Council of Canada IRAP will be applied to improve production of the different components of the terpenoid biosynthetic pathway, a pre-cursor of cannabinoid production, as well as research and development supporting up-stream and down-stream scale-up activities conducted by our contract development and manufacture organizations. The funding will be received over the next 18 months. We also continue our efforts to further diversify the number of cannabinoids produced using our technology platform.

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

- May 5, 2020 – We announced our 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.

- May 19, 2020 – We announced the filing of a key Patent Cooperation Treaty ("PCT") patent application directed to our 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.

- June 24, 2020 – We introduced details of IntegraSyn™, a new approach to producing pharmaceutical-grade cannabinoids. IntegraSyn™ is a manufacturing approach that integrates biosynthesis with other traditional drug manufacturing methods with the goal of improving production of low-cost, high quality cannabinoids. The goals of IntegraSyn™ are to increase yields beyond traditional biosynthesis or other standard cannabinoid manufacturing methods; reduce costs by minimizing the number of expensive manufacturing steps and use of cost-efficient starting materials; provide manufacturing flexibility in transitioning from one cannabinoid to another; provide access to rare cannabinoids that are otherwise impractical / expensive to extract from the plant; be scalable to meet market demand of cannabinoids for pharmaceutical products or other purposes; and use a sustainable approach with less environmental impact than the plant-grow-harvest-extract-purify methods.

- September 22, 2020 – We announced the filing of a PCT patent application as part of a growing portfolio of intellectual property related to the IntegraSyn™ manufacturing approach for producing low-cost, pharmaceutical-grade cannabinoids.

- November 18, 2020 – We announced we had entered into a broad reciprocal research collaboration with BayMedica Inc. to explore synergies between technologies owned by the two companies. Under the terms of the Collaborative Research Agreement, BayMedica is being provided access to specific elements of our proprietary IntegraSyn™ platform for the production of cannabinoids. We will undertake preclinical investigation of numerous therapeutic compounds selected from BayMedica's extensive library of proprietary cannabinoid analogs.

- April 26, 2021 - We announced that the IntegraSyn™ cannabinoid manufacturing approach has achieved a level of 2g/L cannabinoid yield, a milestone that signals commercial viability and supports advancement to large-scale production in the coming months. Having achieved a 2g/L yield level, we will now focus on manufacturing scale-up to larger batch sizes while continuing process and enzyme optimization, targeting increased cannabinoid yield and further reducing the overall cost of goods. In parallel, we continue to prepare the manufacturing process to be Good Manufacturing Practice (GMP)-ready for pharmaceutical quality production. The next stage of large-scale production is to produce a batch with a target output of one kilogram of the selected cannabinoid in the second half of calendar 2021 via a GMP-ready process.

- June 17, 2021 - We announced that we increased cannabinoid yield to 5 g/L with IntegraSyn™ in advance of commercial-scale production, a milestone that significantly reduces the overall cost of rare cannabinoid manufacturing.

- June 29, 2021 - We announced that we entered into a non-binding Letter of Intent ("LOI") to acquire BayMedica Inc., a private company based in Nevada and California that specializes in the manufacture and commercialization of rare cannabinoids. BayMedica is a revenue-stage biotechnology company leveraging its significant expertise in synthetic biology and pharmaceutical chemistry to develop efficient, scalable, and proprietary manufacturing approaches to produce high quality, regulatory-compliant rare cannabinoids for consumer applications. BayMedica is currently commercializing the rare cannabinoid CBC (cannabichromene) as a B2B supplier to distributors and manufacturers marketing products in the health and wellness sector. In addition to their manufacturing and commercial activities in the health and wellness arena, BayMedica is also researching cannabinoid analogs as potential drug candidates for pharmaceutical purposes. On September 10, 2021, we entered into a definitive agreement to acquire BayMedica. Closing of the transaction is subject to certain standard closing conditions. See "Business – Recent Development – *Definitive Agreement to acquire BayMedica, Inc.*"

Research and Development Pipeline of Therapeutic Drug Candidates

INM-755 for the Treatment of EB

Introduction

INM-755 (CBN) cream is being developed as a proprietary, topical, single-cannabinoid product candidate intended as a therapy in dermatological diseases. The first clinical indication under development is EB. EB is a collective name for a group of genetic disorders of connective tissues characterized by skin fragility leading to extensive blistering and wounding. It affects skin and mucous membranes, particularly of the gastrointestinal tract, genitourinary and respiratory systems. EB is a debilitating disease affecting a small proportion of people in the United States, thus earning it an orphan-disease status. The disease has no definitive cure and all current treatments are directed towards symptom relief. There are, however, a number of products, mainly gene therapies, currently in clinical trials, in which a cure is being explored, according to several recent scientific publications. Our preclinical research has identified a specific cannabinoid, CBN, that may prove beneficial to patients: first, by addressing certain key disease hallmarks (which may include wound healing, infection, pain, inflammation); and second, by regulating the expression of various proteins (keratins) that may compensate for reduced expression of others.

The active ingredient in INM-755, CBN, is an agonist for both cannabinoid (CB) 1 and CB2 receptors, with a higher affinity for CB2, which means it should have a greater effect on the immune system than on the central nervous system. The distribution of CB1 and CB2 receptors in sensory nerves and inflammatory cells in the skin make it an attractive pharmaceutical agent for dermal treatments in medical conditions characterized by inflammation and pain.

In preclinical pharmacology studies, CBN demonstrated activity as an anti-inflammatory and antinociceptive agent. CBN upregulated expression of keratin 15 (K15), which might lead to skin strengthening and reduced blister formation in EBS patients with keratin 14 (K14) mutations. At the cream concentrations chosen for clinical development, it does not appear to impede wound healing of partial-thickness wounds. Its anti-inflammatory activity may be beneficial in healing chronic wounds caused by prolonged inflammation.

We have completed 20 safety pharmacology and toxicology studies to investigate the effects of CBN. We have also completed three Phase 1 safety and tolerability studies in healthy volunteers, two studies of which were conducted with varying concentrations of INM-755 cream and one study of which examined the non-CBN components of the cream base for INM-755.

The Science Behind EB

At the most basic level, the hallmark of EB is poor anchorage of the epidermis to the dermis such that the skin and mucous membranes of the affected individuals tend to shear and blister on minimal friction. This is due to the genetically inherited defect in certain genes (multiple genes have been shown to be associated with the different subtypes of EB) that code for some specific proteins that are concerned with maintaining the integrity of skin and mucous membranes.

There are four main subtypes of the condition. Each of these subtypes can display a spectrum of phenotypic severity reflecting the types of mutations in different genes, together with modifying environmental factors. The types of mutations also determine the mode of inheritance, either autosomal dominant or autosomal recessive. The following table shows the pattern of inheritance and the defective genes and proteins in each:

Classification of EB Types

EB Type (Prevalence)	Genetic defect	Pattern of Inheritance*	Defective Protein
EB Simplex (~55% of EB population)	K_5	AD	keratin-5
	K_{14}	AR, AD	keratin-14
	TGM5, DSP, PKP1, PLEC, DST, ITGA6, ITGB4, COL17A1	AR	transglutaminase 5, desmoplakin, plakophilin-1, plectin, α6β4 integrin, type XVII collagen
	JUP	AR, AD	plakoglobin
Junctional EB (~5% of EB population)	LAMA3 (9% of cases) LAMB3 (70% of cases) LAMC2 (9% of cases) COL17A1 (10% of cases) ITGA6, ITGB4	AR	laminin-332, type XVII collagen, α6β4 integrin
Dystrophic EB (~30% of EB population)	COL7A1	AR or AD	type VII collagen
EB Kindler type (rare)	FERMT1	AR	kindlin-1

* AD = autosomal dominant; AR = autosomal recessive

(a) EBS

This is the most common form of EB and is characterized by a lack of adhesion of the skin directly above the basement membrane (the basal layer). An estimated 55% of people with EB have EBS resulting from a genetic defect of the keratins K5 and K14, with the incidence between the two defects estimated to be essentially equal. The most common form of EBS manifests itself as blistering confined to the hands and feet while in others blistering can occur all over the body. Blistering generally appears during the neonatal period but it can also manifest itself in later childhood (or even in adult life). Painful skin blisters are accentuated by friction, especially on the feet where footwear causes increased irritation. Friction injuries tend to occur more commonly in warm weather and secondary infections are common.

(b) Junctional EB

Junctional EB is characterized by a lack of adhesion of the skin through the basement membrane and affects some 5% of those with EB. The generalized type of junctional disease (about half of cases of junctional EB) is usually fatal in infancy. This is often as a result of anemia and malnutrition due to poor feeding caused by the serious blistering in the pharynx and esophagus. The milder form of the disease can cause life-long pain and disability.

(c) Dystrophic EB, or “DEB”

DEB is characterized by a lack of adhesion of the skin under the basement membrane. Approximately 30% of people with EB have DEB. Patients with DEB tend to develop blisters that heal with fibrosis, leading to joint contracture, fusion of the fingers, contractures of the mouth membranes and narrowing of the esophagus. Often the dominant inherited type of DEB is the least severe type and the patient can lead an almost normal life. However, the severity of the condition does increase with age due to scarring, syndactyly and generalized skin atrophy. Those with recessive DEB have a high chance of developing a squamous cell carcinoma, often before the age of 35.

(d) Kindler Syndrome

This type of EB is rare and usually becomes apparent at birth or soon after. This condition is called mixed type because blisters appear across the skin layers. The condition usually improves with time and can disappear. It is the only type that causes patchy discoloring (mottling) of skin exposed to the sun. Kindler syndrome is recessive.

(e) Epidermolysis bullosa acquisita

Epidermolysis bullosa acquisita is a rare type that is not inherited. The blisters result from the immune system attacking healthy tissue by mistake. It’s similar to another immune system disorder called bullous pemphigoid. It tends to cause blisters on the hands, feet and mucous membranes.

Epidemiology, Morbidity and Mortality

The most reliable figures on prevalence and incidence of EB are derived from the National EB Registry, or “NEBR”, which collected cross-sectional and longitudinal data on about 3,300 EB patients in the United States from 1986 through 2002. The prevalence of EB was estimated to be approximately 11 per million and the incidence approximately 20 per million live births. In the United States, assuming that mild cases of EBS are reported only 10% of the time, the affected population in the United States is approximately 12,500. Other sources cite populations of up to 25,000 in the United States.

Generalized blistering caused by any subtype may be complicated by infection, sepsis, and death especially in infancy. Severe forms of EB increase the mortality risk during infancy. In patients with EB that survive childhood, the most common cause of death is metastatic squamous cell carcinoma. This skin cancer occurs most frequently in patients with recessively inherited DEB who are aged 15-35 years. In contrast, dominantly inherited EBS and DEB and milder forms of junctional EB may not affect a patient’s life expectancy adversely. Onset of EB is at birth or shortly after. The exception occurs in mild cases of EBS, which may remain undetected until adulthood or remain undiagnosed. The disease appears to have equal incidences in both sexes.

Current Treatments

As a genetic disease, EB has no cure and, as a designated orphan-disease, there are no approved products specifically to treat this indication. Effective management of EB patients involves a collaborative approach between several specialists, including surgeons, dermatologists, ophthalmologists, dentists, psychologists, podiatrists, physiotherapists and geneticists. The aim is to provide support to the patient by alleviating symptoms and managing complications; in particular, the patient caregivers must assess and act daily to treat the wound and enable wound healing, address the current level of pain and itch, provide adequate antimicrobial protection, reduce inflammation (as a source of depressed wound healing abilities) and address the emotional state of the patient.

Current medications are employed in control of pain (various types of analgesics including nonsteroidal anti-inflammatory drugs, or “NSAIDS”, tricyclic antidepressants, gabapentin, and narcotics) and pruritus (antihistamines, etc.) and to address complications such as local infection and septicemia (local and systemic antibiotics). Steroids and phenytoin are also used in managing dysphagia-associated pain. Tetracycline is considered to be beneficial in improving the blistering and epithelial disadhesion. The complications of these classes of medications are well known and the drugs are most likely to further complicate the patients’ conditions since they will be used on long-term basis.

The newer products currently in research also have their problems. For example, the use of bone marrow was being researched by the University of Minnesota with some promising results. However, the severe immunosuppression that bone marrow transplantation requires causes a significant risk of serious infections in patients with large scale blisters and skin erosions.

Competitive Landscape

We are studying INM-755, our proprietary, topical, single cannabinoid product candidate, as a first-line therapy in all EB patients for symptom relief and in EBS as a therapy to potentially strengthen skin integrity via up-regulation of a keratin.

There are no therapies approved specifically for the treatment of EB. This lack of treatment options creates a significant unmet medical need in this devastating condition. For those products currently envisioned or in clinical trials as topical treatments, wound healing and symptom relief are the primary endpoints.

According to public information, several topical investigational drug formulations are currently at various stages of clinical development for the treatment of EB, including:

- Amryt Pharma’s investigational drug, Oleogel-S10, is a topical product incorporating a betulin-based active ingredient formulated with sunflower oil. AP101 causes the keratinocytes to migrate faster and to differentiate into mature epithelial skin cells. This product is currently approved in some jurisdictions for the treatment of partial-thickness wounds in adults.

- Krystal Biotech’s investigational drug, KB103, is a replication-defective, non-integrating HSV-1 that is based on a viral gene therapy platform. In October 2019, Krystal announced positive combined results from their Phase I and II trials looking at ten chronic or recurrent blister wounds being treated with KB103 – 9/10 closed up completely and the tenth closed within 7 days of retreatment. The drug was well-tolerated, Krystal said that no serious adverse events or drug-related adverse events were reported, and there were no reports of inflammation or irritation in the KB103-treated wounds; additionally, Krystal received an expedited review designation from the FDA and EMA.

- Wings Therapeutics (formerly ProQR) has initiated a Phase Ib/II safety study of a topical gel, QR-313, intended to alter the RNA in recessive dystrophic epidermolysis bullosa, or “RDEB”, patients with a mutation in exon 73.

- RegeneRx Pharmaceuticals is developing its investigational drug, RGN-137, as a topical Tß4-based dermal gel formulation, and has recently commenced treating EB patients in a Phase II clinical trial in the U.S.

Despite promising preliminary data, in September 2017 the Phase III study of Zorblisa™ (allantoin), another topical investigational drug in development for EB, reported no benefit over placebo and its development has ceased.

Additionally, a clinical trial investigating Castle Creek Biosciences' Diacerein 1% was terminated after an independent data monitoring committee suggested that the study will not meet statistical objectives; however, Castle Creek announced their intent to investigate more concentrated 2% and 3% formulations. Stanford University investigated the use of topical sirolimus 2% to ameliorate plantar lesions in patients with EBS and recently posted results that show no statistical difference from placebo.

Other approaches have shown promise and are under investigation for the treatment of EB:

- Skin grafts with gene-modified epidermal sheets;
- Stem cell transplants;
- Intravenous replacement of recombinant collagen VII (for RDEB);
- Topical/intradermal gentamicin to restore laminin beta3 (JEB/DEB with nonsense mutations);
- Granulocyte colony-stimulating factor (DEB); and
- Gene therapy for recessive DEB; FCX-007 (gene-modified dermal fibroblasts for recessive DEB).

Additionally, several companies are pursuing the symptomatic relief for EB patients, including the patient advocacy organization DEBRA, which is sponsoring a trial using oral cannabinoids (THC, CBD) to mitigate pain and itch.

Regulatory Perspectives

According to the National Epidermolysis Bullosa Registry, the overall incidence is about 20 per million live births and prevalence is 11 per million in the United States. EB is designated as an "orphan disease", and we plan to seek regulatory designation of INM-755 as such in the U.S. and similar designations in various jurisdictions. The FDA defines orphan products as "those intended for the safe and effective treatment, diagnosis or prevention of rare diseases/disorders that affect fewer than 200,000 people in the United States, or that affect more than 200,000 persons but are not expected to recover the costs of developing and marketing a treatment drug". The EMA has its own definition of orphan disease and, under the European definition, EB is also an orphan disease.

The mission of the FDA Office of Orphan Products Development, or "OOPD", is to advance the evaluation and development of products (drugs, biologics, devices, or medical foods) that demonstrate promise for the diagnosis and/or treatment of rare diseases or conditions. This arm of the agency evaluates scientific and clinical data to identify and designate products as promising for rare diseases and to further advance scientific development of such promising medical products. The OOPD also works on rare disease issues with the medical and research communities, professional organizations, academia, governmental agencies, industry, and rare disease patient groups. The OOPD provides incentives for sponsors to develop products for rare diseases. The Orphan-Drug Designation program, which is administered by the OOPD, provides orphan status to drugs and biologics which are defined using the FDA definition above. The Orphan Products Grants Program, which is administered by the OOPD, provides funding for clinical research that tests the safety and efficacy of drugs, biologics, medical devices and medical foods in rare diseases or conditions.

It is worth noting that there is a common pathway for application of orphan status for a product to both the FDA and EMA, and applicants to the FDA are advised to use the common application platform. With regards to the data to be used in the application, it is expected that applicants demonstrate that there is "promise" that the drug will be effective in treating said disease. "Promise" is interpreted to include either data from clinical trials, data from case studies/reports, data from appropriate animal models or, on rare occasions where there is no appropriate animal, data from *in vitro* experiments in addition to supporting information.

Regulatory Incentives for Orphan Product Development

Regulatory Authority	Incentives
FDA	7-year marketing exclusivity Tax credits: Up to 50% of clinical development costs Prescription Drug User Fee Act fee exemption Scientific assistance during drug development Grants Informal involvement in joint ventures
EMA	Protocol assistance Reduced regulatory fees Access to centralized MA procedure 10-year marketing exclusivity Administrative and procedural assistances for companies classified as SMEs Funding from the European commission (not grants) Further incentives for individual member states

Data Summary of Preclinical Studies for INM-755

INM-755 is a topical, single cannabinoid cream formulation that is being developed to: (i) strengthen skin integrity in some patients with EBS (the most common form of EB), and (ii) to treat symptoms of the disease in all patients with EB.

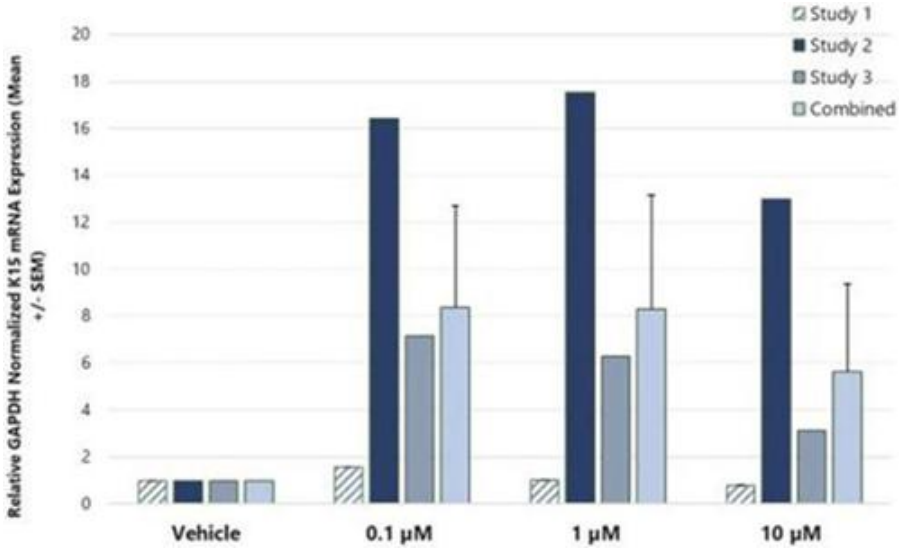
We have conducted several preclinical studies to identify potential drug development pathways for a product in EB. The following data has been generated in support of these cannabinoids as a potential therapy in EB:

(a) Enhancing skin integrity and skin regeneration:

A desirable treatment outcome for all subtypes of EB would be enhanced skin integrity to prevent new wounds from forming. For patients with EBS, an estimated half of them will have a mutation in K14. The goal of modifying keratin production is to target the upregulation of a potentially compensatory K15. Under normal conditions, K5 and K14 combine (dimerize) to form adhesion at the basal layer within the epidermis. In EBS, one or both of these keratins are damaged. Our investigational hypothesis is that K15 may be able to compensate by replacing K14 in this equation and combining with K5 to form the adhesive properties needed for normal skin structure.

CBN was studied in a panel of cannabinoids to determine its ability to regulate keratin expression. CBN induced upregulation of K15 in 2 of the 3 experiments. Concentrations of 0.1 µM and 1 µM produced similar effects (approximately 6 to 17-fold increase in K15 expression). The highest concentration of 10 µM did not increase the size of the effect (approximately 3 to 13-fold increase). Lack of a dose-response may mean a threshold was exceeded, above which no further effect can occur.

Relative K15 Expression in Human Keratinocytes (HaCaT), Post-Confluence (48 hours)



Study 1 did not exhibit an important effect. The reason for this is uncertain, with one hypothesis being that the cells tested had been through too many passages.

Despite the variation observed across these three studies, these results are encouraging as INM-755 cream may help create stronger skin by upregulating K15.

Hemidesmosome formation also occurs during normal differentiation of keratinocytes as they mature from the basal layer, not only in a wound-healing situation. Through the upregulation of K15, INM-755 cream applied to intact skin might gradually strengthen the skin and reduce the number of blisters and eventual wounds. For this effect, it could also be applied to wounds that have completed the initial re-epithelialization stage.

(b) Effects on Wound Healing

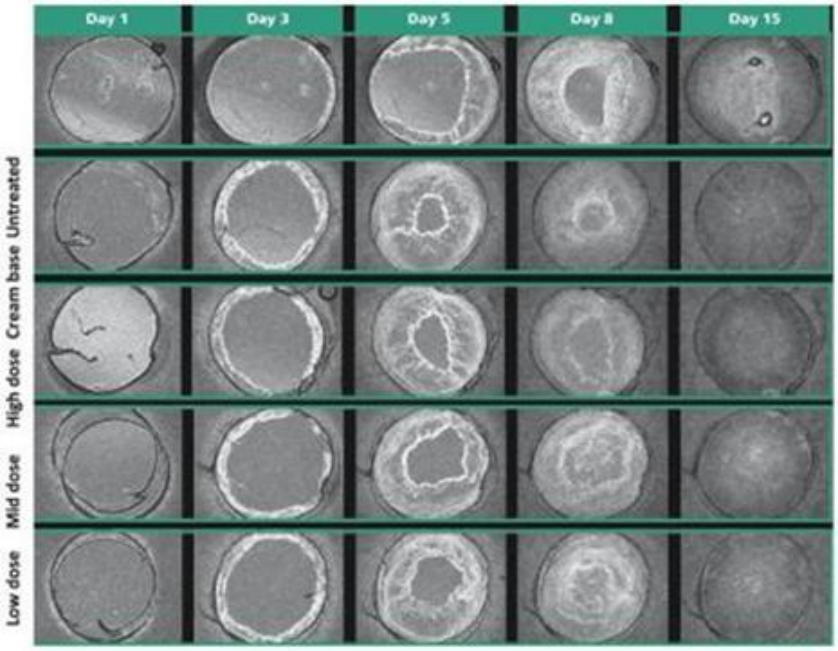
Cutaneous wound healing is a complex process with four main phases: inflammation, re-epithelialization, tissue formation, and tissue remodeling. In EB wounds, all four phases of cutaneous wound healing can be impacted, leading to chronic non-healing wounds. The wounds of EB patients are found primarily at or close to the junction of the epidermal and dermal layers. In these partial-thickness wounds, wound closure is achieved primarily by re-epithelialization rather than through granulation.

One major disease symptom in EB is the extensive wounds that can be generated throughout any day by simple friction on the skin, even as simple as clothes rubbing the skin. In addition to increasing the skin integrity via K15 up-regulation, another key goal would be facilitating accelerated wound healing via rapid skin regeneration and wound closure. E-Cadherin is major component of epithelium integrity. During wound healing, transforming growth factor beta, or TGF-ß, causes a reduction in E-Cadherin, allowing keratinocyte migration across the open wound. This is then followed by a return to normal levels of E-Cadherin to rebuild the integrity of the skin. CBN may play a role in the second phase of wound healing by accelerating the normalization of E-Cadherin expression. Additional studies are warranted to further explore this effect.

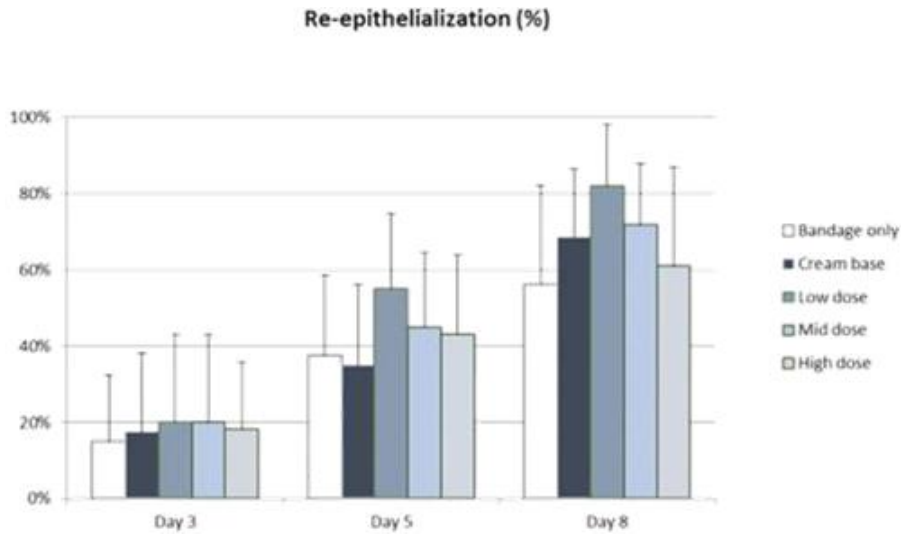
On July 10, 2017, we announced that we had entered into a research and development collaboration with ATERA SAS of France, a leading tissue engineering company specializing in the development of advanced human tissue models. On April 6, 2018, under the terms of the Agreement, we and ATERA agreed to transfer the execution of the collaborative research to the Fraunhofer Institute in Germany. Under the terms of the agreement, Fraunhofer will develop 3D human skin models of EB to evaluate the *in vitro* drug efficacy of CBN. Fraunhofer will also investigate the beneficial effects of topically applied INM-755 at ultra-structural cellular and molecular levels on *in vitro* 3D reconstructed human full thickness (dermis-epidermis) skin models composed of both normal and EB-derived skin cells. This project with Fraunhofer is designed to assess the potential of INM-755 to have an impact in enhancing skin integrity to support our current data indicating an up-regulation in specific keratins in the skin.

Inflammation is an important early step in wound healing and several of our studies demonstrated CBN has anti-inflammatory activity. Therefore, we conducted studies to evaluate the effect of CBN on the normal wound healing process. While an early *in vitro* assay indicated that high concentration of CBN could cause delays or prevent one of the first steps in wound healing, a subsequent study conducted with the INM-755 cream formulation did not hinder cell viability, cell migration, or wound closure. This was demonstrated in a wound-healing experiment conducted in 3-dimensional reconstructed human epidermis, or "RHE", models with fully differentiated skin layers. Punch biopsy wounds were treated with INM-755 creams at three strengths, which included the intended cream concentrations for the first studies in healthy volunteers. No delay or inhibition of re-epithelialization was shown in CBN-treated models; the untreated control healed slightly slower in the first 5 days.

A composite of pictures showing 2D photographic images of the punch biopsy wounds as they heal over time. The re-epithelialization of the wound is shown by migration and growth of keratinocytes from the outside edge of the wound over time, migrating/growing to the center of the wound until the wound is closed:



One more study was conducted to explore the potential of CBN to interfere with early stage wound healing. In this study, superficial partial thickness wounds were introduced by a dermatome in an *in vivo* animal model and treated for 7 days with INM-755 creams at the same three strengths as used in the RHE models. Wound healing assessments included clinical observations, quantitative wound area measurements on photographic images and histopathologic examination. Treatment with INM-755 creams at the strengths intended for clinical development did not cause any delays in wound healing.



(c) Reducing inflammation:

CBN was tested on two important markers of inflammation: IL-8 and MMP-9, because of their suspected links with blister formation in EBS and chronic cutaneous inflammation.

Interleukin-8, or IL-8, is the most potent chemoattractant for blood neutrophils and important mediator of angiogenesis, or the formation of new blood vessels. Chronic IL-8 production and neutrophil activation in a skin wound is an unfavorable element of skin pathology as it leads to extensive inflammation.

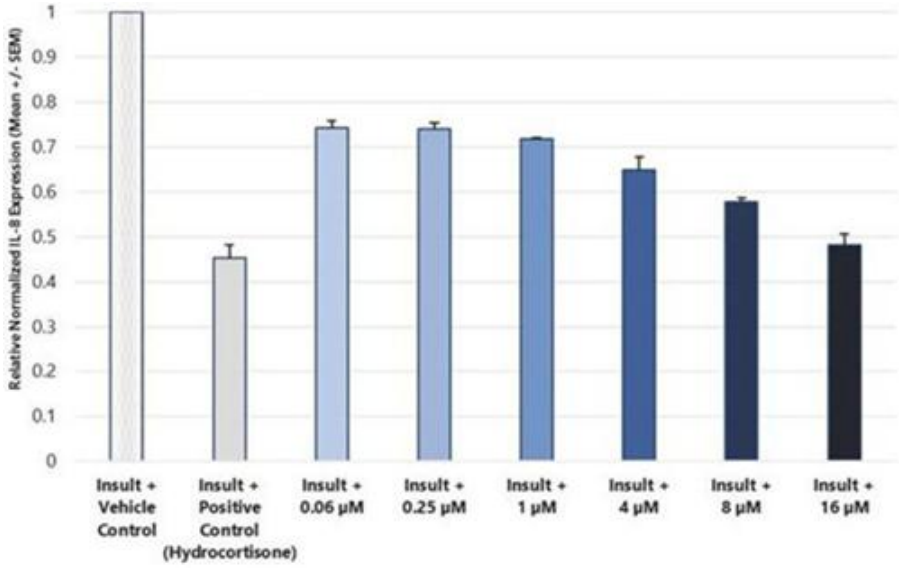
Matrix metalloproteinases, or “MMPs”, are part of the zinc-dependent endo-proteases family which modulate homeostasis of the extracellular matrix in skin. In response to skin damage and inflammation, metalloproteinases, including MMP-9, are often up-regulated. Specifically, exposure of keratinocytes, such as HaCaT cells, to TNF-α induces expression of the inflammatory-related factors such as IL-8 and MMP-9.

IL-8 and MMP-9 are upregulated in blisters of EBS patients and both are suspected to be contributing to blister formation. Both IL-8 and MMP-9 have been identified as targets for treatment of cutaneous inflammation in EBS. Therefore, reducing one or both might be helpful for controlling/reducing chronic skin inflammation in EBS.

While inflammation is an important first step in healing a new cutaneous wound, prolonged inflammation will interfere with the later stages of wound healing.

Persistent inflammatory activity, which may occur with infection or re-injury, often interferes with healing EB wounds.

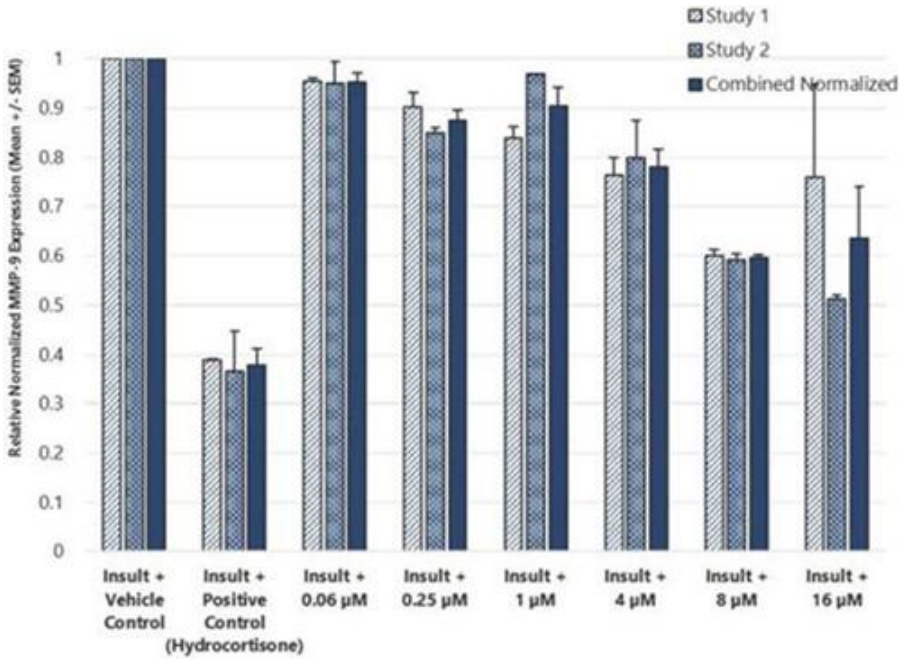
Dose-Related Reduction in Relative IL-8 Expression in Human Keratinocytes (HaCaT)



Insult = Tumor Necrosis Factor α (TNFα) and Interferon g (IFNg)

For IL-8: CBN produced a clear dose response with 35% reduction of IL-8 expression at 4 µM, 42% at 8 µM and 52% at 16 µM. Therefore, the IC50 was 16 µM. By comparison, hydrocortisone at 10 µM caused a 54% reduction in IL-8 expression. CBN was similar to hydrocortisone with respect to anti-inflammatory activity in this model.

Dose-Related Reduction in Relative MMP-9 Expression in Human Keratinocytes (HaCaT)



Insult = Tumor Necrosis Factor α (TNFα) and Interferon g (IFNg)

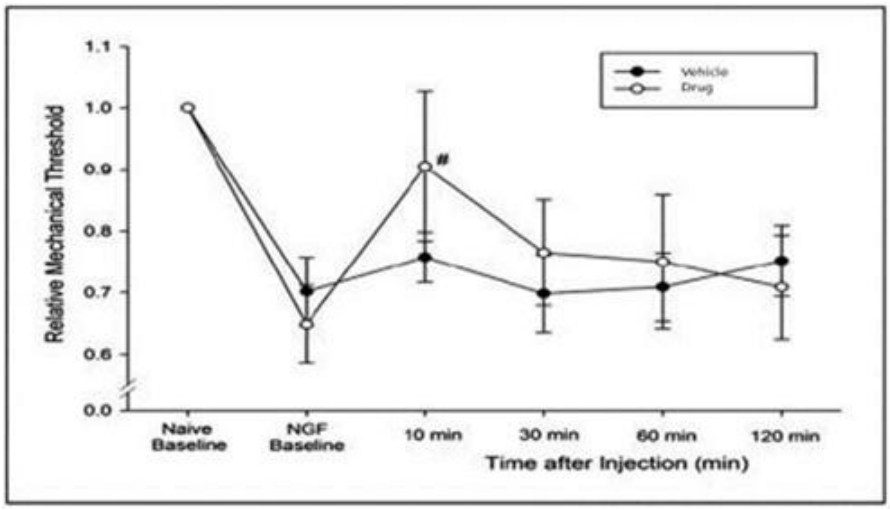
For MMP-9: Consistent results in both studies with a dose-related reduction of MMP-9 expression. The consistency in direction and magnitude of effect provides convincing evidence for down regulation of MMP-9 by CBN under insult conditions. The reduction was 22% at 4 µM and about 40% at both 8 and 16 µM. CBN showed a little less anti-inflammatory activity than hydrocortisone in this model, but still an important reduction.

(d) Pain reduction:

One pharmacodynamic endpoint that was studied was pain. Pain is one of the key symptoms in EB and requires significant effort to monitor and treat. CBN has demonstrated positive pain-relieving effects in NGF-induced in an *in vivo* pain model. To further demonstrate this, we utilized *in vivo* electrophysiology where CBN blocked the pain signals in the neurons.

In an *in vivo* of myofascial pain, nerve growth factor, or “NGF”, was injected into the masseter muscle, resulting in local mechanical sensitization lasting about 5 days. On Day 3, CBN was injected into the masseter muscle and the mechanical withdrawal threshold was assessed with a rigid von Frey hair. The mechanical force was gradually increased until the animal moved its head away from the stimulus.

Behavioral Effects of CBN in *In vivo* Model of Myofascial Pain

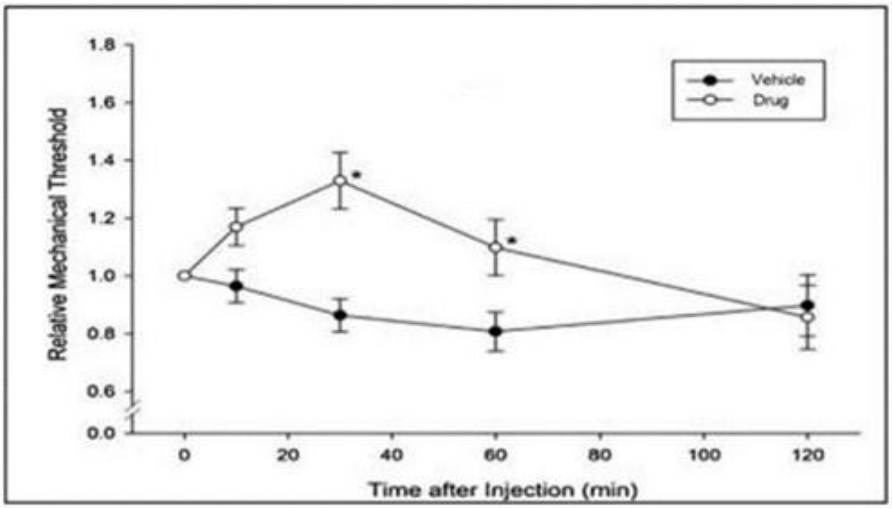


Adapted from Wong H, Cairns BE. Arch. Oral Biol. 2019;104:33-9.

CBN injected into the masseter muscle significantly reversed NGF induced mechanical sensitization at 10 minutes post-injection. (Behavioral study)

In parallel, electrophysiology recordings of single ganglion neurons that innervate the craniofacial muscles were performed (33 masticatory muscle mechanoreceptors). The electrophysiology effects parallel the behavioral effects. CBN significantly increased the relative mechanical threshold at 30- and 60-minutes post-injection. The results of this study have been published.

Electrophysiological Effects of CBN in *In vivo* Models of Myofascial Pain



Adapted from Wong H, Cairns BE. Arch. Oral Biol. 2019;104:33-9.

(e) Antimicrobial activity:

In the literature, certain cannabinoid compounds have been shown to have potent antibacterial properties including against various strains of multidrug-resistant bacteria, including methicillin-resistant *S. aureus*, or "MRSA". We have screened a number of cannabinoid compounds by standard methods against a broad range of Gram-positive and Gram-negative aerobic and anaerobic bacteria. Results of this third-party research demonstrated potent antimicrobial activity for all tested cannabinoid compounds, particularly against Gram-positive isolates. While these cannabinoids may provide some localized antibacterial benefit, it is unlikely that such effects would encourage cessation of broad-spectrum, systemic antibiotic usage.

(f) EBS formulation prototype development:

Careful attention must be paid to any topical product to be administered for the treatment of EB for several reasons. Our target product is designed to be applied over major portions of the body (if not the entire body), once each day. As such, the patients, who are often children, will be exposed to the active drug as well as the excipients of the skin cream, possibly for the duration of their lives. Accordingly, great care must be given that these components will be safe over the long-term and that they will not add to the already painful condition that the patients are suffering.

Particular attention has been given to the following criteria in the formulation development for INM-755:

- The excipients are safe for extensive body surface area exposure for a long duration of time;
- The API (cannabinoid) is dosed at the appropriate level – high enough to provide optimal clinical effect at the treatment site but low enough to minimize any systemic exposure; and
- The final formulation can be administered daily with minimal friction to the skin.

We have utilized the Franz Cell diffusion method to assess skin penetration rates and depth for a proposed topical formulation for INM-755. The formulation is applied to skin samples and measurements are taken of how much drug penetrates to which depths in the skin. Using this method, a preliminary formulation of INM-755 achieved drug delivery to the epidermis and dermis layers as needed. Working with well-characterized excipients, we have tested several slight variations in formulation to achieve the desired concentration of drug in the skin while simultaneously avoiding high drug concentrations in systemic circulation (in the blood). We announced the selection of a final excipient formulation on November 12, 2018.

Starting in mid-2017 to present, we worked with several leading, international preclinical contract research organization to: (i) develop a final formulation used in INM-755; and (ii) initiate work of an Investigational New Drug Application, or "IND" enabling pharmacology and toxicology studies that are required before INM-755 could be used in future clinical studies.

Toxicology and Safety Pharmacology Studies of CBN

The investigational medicinal product, INM-755 (CBN) cream is for topical application on the skin. The cream base has a simple formulation with known pharmaceutical-grade excipients. It is a pluronic lecithin organogel. Pluronic lecithin organogels have been widely used by compounding pharmacists for topical preparations since the early 1990s. Therefore, the focus of the toxicology program has been to characterize effects of the active agent.

CBN is a new molecular entity, or "NME", not yet approved for medical use in any country. Therefore, we are required to perform thorough safety testing prior to human administration. The intended route of administration for INM-755 is topical and is anticipated to result in low systemic exposure via the bloodstream. Despite only nominal risk of meaningful systemic exposure, regulatory authorities still require that we examine the consequences of systemic exposure on key biological functions and organ systems. For this purpose, the drug was administered by subcutaneous (SC) injection to achieve high in blood circulation. Topical safety studies using the intended route of administration and the clinical cream formulation were also conducted. These nonclinical toxicology studies included:

- Topical 28-day safety, *in vivo;*
- Systemic 28-day safety study, *in vivo*, with SC administration;
- Genotoxicity – standard battery of required tests for NMEs, including:
  - *In vitro* bacterial mutagenicity study (classically the Ames assay) [Organisation for Economic Cooperation and Development test guideline 471 (OECD 471)],
  - *In vitro* micronucleus study in Chinese Hamster Ovary cells [OECD 487], and
  - *In vivo* mammalian erythrocyte micronucleus study [OECD 474];
- Phototoxicity – required because CBN has some absorbance in the UVB range; *in vitro* neutral red dye uptake study in cells from BALB/c 3T3 mice [OECD 432];
- EpiOcular, *in vitro* eye irritation study [OECD 492];
- Non-adjuvant Buehler method skin sensitization study, *in vivo* [OECD 406]; and
- *In vivo* drug distribution study with SC injection of radiolabeled drug.

In the 28-day *in vivo* dermal toxicity study, INM-755 cream was given as topical daily doses applied to 10% body surface area. The quantity of cream applied resulted in a thick layer of cream, much more than a typical clinical application. After each daily cream application, the application sites were covered with a hypoallergenic, waterproof, breathable dressing for 24 hours and then scored for local tolerance. In this GLP study, systemic toxicity was also fully investigated by standard parameters. Based on clinical and histopathologic review, no CBN-related dermal toxicity was demonstrated in this study. Systemic exposure was minimal due to the topical route of administration and no systemic toxicities occurred either. The No Adverse Effect Level, or "NOAEL", was determined to be the highest concentration of cream tested.

In the 28-day *in vivo* systemic toxicity study, CBN was given as daily SC injections up to the solubility-driven maximum feasible dose. No adverse drug-related effects were noted on clinical signs, clinical pathology parameters, ophthalmic evaluations, gross necropsy, organ weights, or histopathology. CBN was well tolerated at all doses, despite considerable systemic exposure. The NOAEL was determined to be the highest dose tested.

The standard battery of genotoxicity studies was conducted with CBN (2 *in vitro* and 1 *in vivo*) and all were negative. CBN did not cause phototoxicity *in vitro*. INM-755 cream at low and mid dose levels did not cause eye irritation *in vitro*. INM-755 cream at the highest tested dose did not cause a sensitization reaction in the *in vivo* sensitization model.

In summary, we have completed 20 safety pharmacology and toxicology studies to investigate the effects of CBN. We have also completed three Phase 1 safety and tolerability studies in healthy volunteers, two studies of which were conducted with varying concentrations of INM-755 cream and one study of which examined the non-CBN components of the cream base for INM-755.

Toxicity to Central Nervous System

Due to the well-documented psychoactivity of THC, all cannabinoid compounds need to be tested for their psychoactive potential. In a standardized safety pharmacology study, we tested exceptionally high dose levels of CBN (more than 10,000 times the expected systemic exposure after topical dosing). No central nervous system adverse effects were observed even at the highest dose. 108 different central nervous system criteria were measured.

Pharmacology Study for Central Nervous System Effects

Outcome: No adverse effects observed

Subcutaneous injection of drug in rats with high dose giving **more than 10,000 times the plasma concentration** expected after topical dosing in humans

Observations at 1, 2, 4, 5, and 8 hr in home cage, in hand, or in arena

108 aspects of behaviour, posture, gait, and movement evaluated

- Body temperature and respiration (9 qualities)
- Behaviour (29 qualities)
  - Stereotypic behaviour (8 qualities)
  - Aggressiveness, Vocalization, Alertness, Reactivity to handling
  - Other behaviour (17 qualities)
- Body tone, posture, and tail position (11 qualities)
- Gait (12 qualities)
- Activity and uncontrollable movements (8 qualities)
- Eye movement, skin, fur and general appearance (13 qualities)
- Secretions & excretions (8 qualities)
- Elicited responses (14 qualities)
- Quantified activities in arena (4 qualities)

The toxicology and safety pharmacology data package covered a broad range of drug concentrations and was designed to support other clinical programs to treat topical skin conditions.

Summary of Completed and Contemplated Clinical Development Plans

A regulatory application to support our first Phase I clinical trial in healthy volunteers with INM-755 (77-101-HV) was submitted November 4, 2019 and approved December 6, 2019. The initial Phase I clinical trial evaluated the safety, tolerability, and pharmacokinetics of INM-755 cream in 22 healthy volunteers with normal, intact skin; the volunteers had cream applied once daily for a period of 14 days. All subjects in this first clinical trial completed treatment and evaluations by March 27, 2020. Database completion and data analyses were delayed by pandemic restrictions. Study results were reported November 25, 2020. A blinded interim safety review from the first 16 subjects in the Phase I study were included in a regulatory application that was approved April 17, 2020, for a second Phase I clinical trial of 8 healthy volunteers to test the local safety and tolerability of applying sterile INM-755 cream to small wounds once daily for 14 days. As with the initial Phase I trial, the second clinical trial (755-101-HV) was conducted with two different drug concentrations and a vehicle control. Enrollment began in early July 2020 and the clinical trial completed treatment and evaluations at the end of September 2020. Study results were reported January 8, 2021. The safety of INM-755 will continue to be assessed throughout its clinical development.

INM-755 cream was well tolerated in the two Phase I clinical trials in healthy volunteers and the next step will be to study INM-755 cream in patients with EB (Study 755-201-EB). Regulatory applications to support this global trial have been filed and are under review by the National Competent Authorities and Ethics Committees in Germany, France, Italy, Austria, Israel, Greece and Serbia, with patient enrollment expected to begin in 2H21.

We can make certain scope-estimates in terms of potential clinical trial sizes, timing and endpoints based on the recent clinical pathway followed by another phytochemical-based topical product for EB, Zorblisa™ (Amicus Therapeutics). The key finding from our review of publicly available information for the Zorblisa™ development program is that a clinical program is very focused for an orphan indication and the clinical trials do not include large numbers of patients. It would not be feasible to conduct large trials for such a rare disease. Therefore, the clinical studies need to be carefully designed and controlled to allow suitable assessment of the safety and efficacy of a new therapy in a small number of patients. Broad multicenter trials would be needed to recruit patients as quickly as possible. We will work closely with regulatory authorities and clinical experts in developing the clinical program for INM-755. The table below shows the completed and near-term planned clinical studies. A Phase III clinical program, which will be needed in order to submit an application seeking regulatory approval for commercialization, is not included in this table.

	Phase I 755-101-HV	Phase I 755-102-HV	Phase II 755-201-EB
Enrollment	22 healthy adult volunteers	8 healthy adult volunteers	Up to 20 EB patients (all subtypes) Adults first to demonstrate safety then expand to include adolescents with permission
Primary Purpose	Systemic and local safety on intact skin, PK	Local safety on open wounds	Systemic and local safety, efficacy (individualized per patient needs)
Study Design	Double-blind, parallel-group design, subjects randomized to two strengths vs vehicle	Double-blind, within-subject design, 4 wounds randomized to two strengths vs vehicle vs untreated	Double-blind, within-patient design, matched index areas randomized to active cream vs vehicle
Treatment and Duration	14 days on 5% BSA	14 days on 4 small wounds	28 days on intact skin and/or wounds
	COMPLETED IN 2020 In Netherlands		File CTAs in 1H21 Global

On average, it takes at least ten years to complete the development of an investigational drug from its initial discovery to the marketplace, with clinical trials alone taking six to seven years on average. It is not possible with any degree of certainty to estimate how long it will take to complete clinical trials and potentially obtain marketing approval for INM-755. To the extent that INM-755 may potentially be designated as either a Fast Track drug, a Breakthrough Therapy, or eligible for Priority/Accelerated Review, our timeline to any potential marketing approval may be shorter than might otherwise be the case.

Next Steps for the INM-755 in EB Program

Subject to COVID-related delays and other external factors, we plan to accomplish the following tasks for the INM-755 in EB program during calendar year 2021:

- Report results from Study 755-102-HV (completed);
- File regulatory submissions for Study 755-201-EB in 1H21 in several countries (completed); and
- Initiate enrollment in Study 755-201-EB (2H21)

Commercial Opportunity for EB Products

Commercial attractiveness and valuations of therapies under development (prior to market launch) can be measured several ways. In EB, there are research reports from reputable investment banking firms regarding the potential peak annual sales for the products themselves, which may serve as a baseline estimate for the value of a successfully marketed end product:

- Cowen and Company – In a September 2015 research report on Amicus Therapeutics, Cowen estimated the market potential for a drug that provides partial symptomatic relief in EB (Zorblisa^{TM}) as having potential maximum annual revenues of $1.2B.

- JP Morgan – In a similar report from 2015 on Amicus, JP Morgan estimated peak annual sales of ~$900M for Zorblisa^{TM}, if approved for sale.

In addition, there have been a couple of relatively recent, prominent in-licensing transactions and/or whole-company acquisitions around EB-focused products/companies, that may also serve as a baseline estimate of the value of successful EB products:

- In February 2013, Shire PLC acquired Lotus Tissue Repair, Inc., for total consideration of approximately $174 million, consisting of $49 million in upfront consideration and contingent consideration of $125 million. At the time of the transaction, Lotus had a preclinical program developing recombinant human collagen Type VII as a protein replacement therapy for Dystrophic EB, a subset of EB (approximately 30% of EB cases).

- In September 2015, Amicus Therapeutics, Inc. completed the acquisition of Scioderm, Inc., or Scioderm, for total consideration of approximately $847 million, consisting of $229 million in upfront payments of cash and stock, $361 million upon the achievement of certain clinical and regulatory milestones and $257 million upon the achievement of certain sales milestones. Further, if a Priority Review Voucher, or “PRV”, would have been awarded for ZorblisaTM, the lesser of $100 million or 50% of the PRV market value would have been delivered to Scioderm shareholders. Scioderm’s sole clinical asset at the time of the transaction was ZorblisaTM, a Phase III-ready clinical product in development for the treatment of EB. The acquisition was based on results from 42 patients in a Phase IIb clinical study of ZorblisaTM.

- In September 2019, Castle Creek Pharmaceutical Holdings Inc. acquired Fibrocell Sciences, Inc. for total consideration of approximately $63.3M in cash. Fibrocells’ portfolio includes FCX-007, and investigational late-stage stage gene therapy product candidate for the treatment of RDEB, a congenital and progressive orphan skin disease caused by the deficiency of the protein COL7. FCX-007 is a genetically modified autologous fibroblast that encodes the gene for COL7. A Phase III trial was initiated, and if successful, a Biologics License Application filing is expected in 2021. The portfolio also includes FCX-013, an investigational, gene therapy candidate for the treatment of moderate to severe localized scleroderma. FCX-013 is currently enrolling for the Phase I portion of a Phase I/II clinical trial.

Valuation of development stage technologies, as well as the eventual market success, can be influenced by multiple factors including but not limited to the approved labeling (“indication”) for a product, efficacy and safety profile relative to competition, speed to market relative to competition, pricing/reimbursement.

Key Milestones for the EB Program:

- August 6, 2015 – We reported positive response from preclinical research on several cannabinoids (one of which was CBN), tested in various *in vitro* assays. By modulating the expression of various keratin genes that are responsible for cytoskeleton intermediate filaments and/or wound healing using different cannabinoids, we sought to alleviate the EBS symptoms. We believe that these preliminary results validated our approach as the cannabinoids displayed modulation of expression of various keratin genes.

- November 4, 2015 – We released additional preliminary preclinical data for the two-cannabinoid product INM-750 (which contained CBN as one of the APIs) demonstrating positive effects in both wound healing/skin regeneration and in reducing inflammation, two key hallmarks of EB.

- May 18, 2016 – We reported additional preclinical results demonstrating positive pain-relieving effects of cannabinoids in animal models. This animal data demonstrated a reduction in both acute and chronic pain (CBN was one of the cannabinoids tested in this study).

- May 4, 2017 – We filed an application with the Canadian Intellectual Property Office a PCT Application, Serial No. CA2017050546 titled, "A Cannabinoid-Based Topical Therapy for Diseases and Conditions Associated with Intermediate Filament Dysfunction".

- July 10, 2017 – We announced that we entered into a research and development collaboration with ATERA SAS of France, or "ATERA", a leading tissue engineering company specializing in the development of advanced human tissue models. Under the terms of the agreement, ATERA would develop 3D human skin models of EB to evaluate the *in vitro* drug efficacy of a two-cannabinoid combination (one of which was CBN). ATERA would also investigate the beneficial effects of topically applied cannabinoids at ultra-structural cellular and molecular levels on *in vitro* 3D reconstructed human full thickness (dermis-epidermis) skin models composed of both normal and EB-derived skin cells. On April 6, 2018, under the terms of the agreement, we and ATERA agreed to transfer the execution of the collaborative research to the Fraunhofer Institute in Germany.

- Since mid-2017 to present, we have worked with several leading GLP-certified preclinical contract research organizations, and other internationally recognized contractors to: (i) develop a final formulation for our CBN cream; and (ii) complete work on safety pharmacology and toxicology studies that are required before CBN could be used in clinical studies.

- November 12, 2018 – We announced that the selected formulation demonstrated good drug penetration and adequate drug concentrations in the epidermis, which is the target tissue for INM-750, a two-cannabinoid formulation containing CBN as one API. Also, two types of genotoxicity studies demonstrated no mutagenicity with the two-cannabinoid formulation. Two 7-day dose-range-finding and pharmacokinetic studies were conducted for assessment of systemic toxicity. The lack of any negative results from these studies support continued development of INM-750.

- February 12, 2019 – We announced favorable results for INM-750, a two-cannabinoid topical formulation, in two topical, 7-day dose-range-finding studies that evaluated skin irritation, plasma pharmacokinetics, histology and skin/drug concentrations. There were no drug-related adverse effects on the skin and the extent of systemic cannabinoid exposure was minimal after topical administration of the cream despite a dosing level 100 to 1,000-fold higher than the anticipated clinical dose.

- March 13, 2019 – We announced that we will conduct all future development with a single cannabinoid skin cream, now designated INM-755. We determined that the clinical development path forward with its investigational drug candidate for the treatment of EB, previously referred to as INM-750, will be optimized by transitioning to an alternative formulation. INM-755 is formulated based on one of the two cannabinoids that comprised INM-750. We believe that pursuing a single-agent formulation, rather than a combination product, will ultimately improve the probability of development and regulatory success in this complex and rare disease.

- November 5, 2019 – We 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 – We 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 – We revealed that the active ingredient in INM-755 and INM-088 is the rare cannabinoid, CBN. We are 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 – We reported completed enrollment in Study 755-101-HV. Treatment is expected to conclude towards the end of March and final study results are anticipated to be announced in the second half of calendar 2020.

- March 20, 2020 – We 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 (Centre for Human and Drug Research).

- March 24, 2020 – We 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 – We announced that all subjects participating in the 755-101-HV Phase I clinical trial had completed treatment and clinical evaluation.

- April 30, 2020 – We 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 – We 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. InMed continues to anticipate reporting results from both Phase I trials in the second half of calendar 2020.

- September 24, 2020 – We announced completion of subject treatment in the second Phase I study in healthy volunteers (Study 755-102-HV). We anticipate reporting results from both Phase I trials in the second half of calendar 2020. Assuming a positive safety profile of INM-755 for both intact skin and epidermal wounds, we anticipate filing regulatory applications for its first study in EB patients in the first quarter of 2021.

- November 25, 2020 – We announced the top-line results of Study 755-101-HV ("Study 101"). Study 101 was a randomized, vehicle-controlled, double-blind, Phase 1 trial, that examined the safety and tolerability of two strengths of INM-755 cream on intact skin in 22 healthy adult volunteers over a 14-day treatment period. The Study 101 results indicate that INM-755 was safe and well-tolerated on intact skin, caused no systemic or serious adverse effects. In addition, there were no subject withdrawals due to adverse events. Drug concentrations in the blood were very low, as expected.

- January 8, 2021 – We announced the top-line results of Study 755-102-HV ("Study 102"). Study 102 was a randomized, double-blind, vehicle controlled, single-center study, in 8 healthy adult volunteers to test the tolerability of 14 days of application of the INM-755 cream on epidermal wounds under treatment procedures designed to simulate wound care for Epidermolysis Bullosa ("EB") patients with open wounds. Results of Study 102 indicate that INM-755 cream was safe and well-tolerated on induced open epidermal wounds, caused no systemic or serious adverse effects. In addition, there were no subject withdrawals due to adverse events. These data from Study 101 and Study 102 support moving forward into clinical trials in patients with EB.

- April 28, 2021 – We announced that we filed Clinical Trial Applications ("CTAs") in Austria, Israel and Serbia as part of a Phase 2 clinical trial of INM-755 (cannabinol) cream in Epidermolysis Bullosa ("EB"). Additional CTAs for 755-201-EB (the '201 study) will be submitted to National Competent Authorities ("NCAs") and Ethics Committees ("ECs") in France, Germany, Greece, and Italy in the coming weeks. Responses from the NCAs and ECs are expected throughout July and August 2021; timing will vary slightly by country due to differences in local procedures.

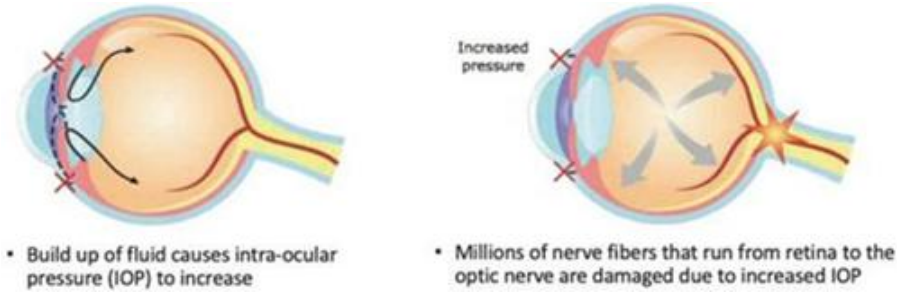
Additional Indications for INM-755

Once a company has gone to the significant investments of bringing a new chemical entity into human clinical trials, the traditional approach is to investigate as many therapeutic uses of that product in different indications, or specific diseases. We intend to pursue this strategy as a way to leverage our knowledge of CBN and investment in the development of INM-755 as a topical skin cream. Under the assumption that we would use the same formulation for other dermatological indications, there should be no need for further Phase I safety studies allowing us to proceed directly to Phase II safety and preliminary efficacy studies in humans, since the toxicology and initial human safety studies have been completed; however, the adequacy of the nonclinical and human safety data to support new dermatologic indications will be determined by the appropriate health authority. We intend to engage with dermatologists to discuss which diseases might best benefit from INM-755, outside of EB.

INM-088 for the Treatment of Glaucoma

Introduction

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..



Current glaucoma therapies generally act to lower intraocular pressure either by reducing the aqueous humor production by the cells around the eye, or the “ciliary epithelial cells”, or by increasing fluid drainage through the TM. Nevertheless, we believe that there is considerable room for improvement of existing drugs, most of which are formulated as eye drops, in terms of increasing the amount of drug that can be safely delivered to increase its effect, improving the delivery of the drug into the eye, and reducing the common effect in currently used therapies that, over time, their efficacy diminishes as the body becomes tolerant to these classes of drugs. Studies have shown that when drugs are delivered as eye drops, less than 5% of the dose penetrates into the eye, indicating that 95% of the administered drug never reaches its desired target as it is wiped away upon blinking. Thus, there is much room for improvement on the drug delivery as a means of increasing clinical efficacy.

CBN is the key API in our second drug candidate, INM-088, which is in preclinical studies as a potential treatment for glaucoma. We conducted 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. We 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.

Science behind Glaucoma

Glaucoma is a group of eye diseases which results in degeneration of neurons, damage to the optic nerve and vision loss. The most common type is open-angle glaucoma, or “OAG”, with less common types including closed-angle glaucoma, or “CAG”, and normal-tension (i.e., no increase in intraocular pressure) glaucoma. OAG develops slowly over time and the patients normally don’t experience pain. If left untreated, side vision may begin to decrease followed by central vision, resulting in blindness. CAG can present gradually or suddenly. The sudden presentation may involve severe eye pain, blurred vision, mid-dilated pupil, redness of the eye and nausea. Vision loss from glaucoma, once it has occurred, is permanent.

Risk factors for glaucoma include increased pressure in the eye, the thinness of the cornea, a family history of the condition, age over 40 years in African Americans, and age over 60 years for other ethnic groups (especially Mexican Americans). High intraocular pressure (those with a value of greater than 21 mmHg or 2.8 kPa) is often associated with a greater risk of glaucoma. However, some people may have high eye pressure for years and never develop damage. Conversely, neurodegeneration and optic nerve damage may occur with normal pressure, known as normal-tension glaucoma. The mechanism of OAG is believed to be slow exit of aqueous humor through the trabecular meshwork while in CAG the iris blocks the TM. Diagnosis is typically made by a dilated eye examination.

If treated early, it is possible to slow or stop the progression of the disease with medication, laser treatment, or surgery. Currently, the goal of these treatments is to decrease eye pressure. A number of different classes of glaucoma medication are available. Laser treatments may be effective in both OAG and CAG. Several of types of glaucoma surgeries may be used in people who do not respond sufficiently to other measures. Treatment of CAG is a medical emergency.

Epidemiology

The global prevalence of glaucoma for population aged 40–80 years is 3.54%, of which 75% is OAG. As of 2010, there were 44.7 million people in the world with OAG of which 2.8 million were in the United States. By 2020, the prevalence is projected to increase to 80 million worldwide and 3.4 million the United States. It occurs more commonly among older people. CAG is more common in women. Both internationally and in the United States, glaucoma is the second-leading cause of blindness.

Current Treatments in Glaucoma

Current treatments for glaucoma include medication, laser treatment and surgery. The goals of glaucoma management are to avoid glaucomatous damage, nerve damage and preserve visual field and total quality of life for patients, with minimal side effects. This requires appropriate diagnostic techniques and follow-up examinations, and judicious selection of treatments for the individual patient. Although intraocular pressure is only one of the major risk factors for glaucoma, lowering it via various pharmaceuticals and/or surgical techniques is currently the mainstay of glaucoma treatment.

Current prescription eyedrop medications targeting intraocular pressure reduction include:

- Prostaglandins and prostaglandin analogs such as latanoprost, bimatoprost and travoprost to increase the outflow of fluid from the eye and reduce ocular pressure. These can sting the eyes, darken the iris and eyelashes, and blur vision;

- Beta blockers such as timolol and betaxolol reduce ocular pressure by reducing the production of fluid in the eye. Possible side effects include wheezing or difficulty breathing, slowed heart rate, lower blood pressure, impotence and fatigue;

- Alpha-adrenergic agonists such as apraclonidine and brimonidine, both reduce the production of aqueous humor and increase the outflow of fluid from the eye. Side effects may include dry mouth, red eyes or eyelids, fatigue, low or high blood pressure, blurred vision and light sensitivity; and

- Carbonic anhydrase inhibitors such as dorzolamide and brinzolamide reduce the production of fluid in the eye, but they are associated with blurred vision, bitter metallic taste in the mouth, dry eyes, red/irritated eyes, headache, and upset stomach.

Often patients need to take a combination of different drugs and multiple eye drops throughout the day. Given side effect profiles, many patients do not take their medications properly or at all. Surgery and laser therapies are intended to physically improve the drainage of fluid from the eyes and lowering of the intraocular pressure. Patients with OAG can have clogged channels in the TM opened with laser therapy, filtering surgery (trabeculectomy) or electrocautery. In other cases, small drainage tubes may be implanted in the eye. Possible complications include pain, redness, infection, inflammation, bleeding, abnormally high or low eye pressure and loss of vision. Some types of eye surgery may accelerate the development of cataracts. Additional procedures may be needed if eye pressure continues to increase.

Treatment Considerations based on Glaucoma Severity

Glaucoma Severity	Findings	Suggested IOP Reduction	Treatment Considerations
Early	Optic Nerve Damage ± Visual Field Loss	Lower IOP ≥25%	Medication or Laser trabeculoplasty
Moderate/ Advanced	Optic Nerve Damage + Visual Field Loss	Lower IOP ≥25 – 50%	Medication or Laser trabeculoplasty or Trabeculectomy ± Mitomycin C or Tube (± cataract removal and intraocular lens [IOL]) and/or Cyclophotocoagulation (or cryotherapy)
End-stage (Refractory glaucoma)	Blind Eye ± Pain	Lower IOP ≥25 – 50% (if painful)	Medication and/or Cyclophotocoagulation (or cryotherapy) and Rehabilitation Services

Competition for INM-088 in Glaucoma

Due to the large medical need and potentially significant commercial opportunity, the competitive landscape of glaucoma is intense. As such, there are currently over 10 medications approved by the FDA for the treatment of glaucoma, which are summarized in the table below, according to drug class. In addition to the currently approved medications, there are a multitude of other therapies being evaluated in clinical trials, and many others at the preclinical stage. Finally, it should be noted that there are several laser surgeries, and other forms of surgical procedures that are currently being performed to treat glaucoma, which also serve as a source of competition to the therapeutic alternatives.

In December 2017, the FDA approved RHOPRESSA® as the first in a new class of glaucoma treatments known as Rho Kinase inhibitors.

RHOPRESSA® is indicated for the reduction of elevated intraocular pressure in patients with open-angle glaucoma or ocular hypertension.

Most treatments for glaucoma are designed to lower and/or control intraocular pressure. Glaucoma eye drops often are the first choice over glaucoma surgery and can be very effective initially at controlling intraocular pressure to prevent eye damage. Glaucoma eye drop formulations are often prescribed in combination to achieve an additive or synergistic effect for the best intraocular pressure control. However, some people are poor candidates for various glaucoma eye drops; in particular, those who may react negatively to drug product that may reach other parts of the body. A certain percentage of the active ingredient of the medication, though small, will enter the bloodstream via eye vasculature and may adversely affect other organ functions such as heart rate and breathing.

INM-088 is envisioned as a once- or twice-a-day eye drop medication to compete with treatment modalities in the medicines category if approved for commercialization.

In addition to INM-088, we are only aware of one other pharmaceutical-grade cannabinoid-based therapy being evaluated for the treatment of glaucoma. Specifically, Skye Biosciences Inc. (formerly Emerald Biosciences) is developing NB1111 (THC-Val-HS) for the treatment of glaucoma. NB1111 is a THC prodrug, which has demonstrated intraocular pressure-lowering efficacy in preclinical models.

Medicines for Glaucoma Treatment (Intraocular Pressure-Lowering Drugs)

Drug Class	Leading Examples	Mode of Action / Side Effects by Class
Prostaglandins	Latanoprost (Xalatan®, Pfizer), Lumigan® (Allergan), Travatan Z® (Alcon)	Relaxes muscles in the eye's interior structure to allow better outflow of fluids. Adverse Drug Effects, or ADEs, include mild redness and stinging, change of eye color, change in the pigment of the eye lashes or eyelid skin, and lengthening and curling of the eyelashes.
Beta-blockers	Timoptic XE® (Merck), Istalol® (ISTA), Betoptic S® (Alcon)	Decrease fluid production in the eye; typically an adjunct to prostaglandins. Potential to reduce heart rate, may cause ADEs in patients with heart or lung problems, depression or other conditions.
Alpha-adrenergic agonists	Iopidine® (Alcon), Alphagan® (Allergan)	Decrease rate of aqueous humor production and increase drainage. ADEs include irregular heart rate, high blood pressure, fatigue, and red, itchy or swollen eyes.
Carbonic anhydrase inhibitors	Eyedrops: Trusopt® (Merck) and Azopt® (Alcon). Oral pills: Diamox® (Sigma), Neptazane® (Wyeth-Ayerst) and Daranide® (Merck).	Decreasing rate of aqueous humor production. ADEs include stinging, burning, eye discomfort (as eyedrops); tingling hands and feet, fatigue, stomach upset, memory problems, frequent urination (oral form).
Miotics or Cholinergic agents	pilocarpine	Increases the outflow of aqueous humor from the eye. ADEs include smaller pupils, possible blurred or dim vision, and nearsightedness.
Rho kinase (ROCK) inhibitors	RHOPRESSA® / Netarsudil (aerie Pharmaceuticals	Increases aqueous outflow by reversing structural and functional damage at the trabecular meshwork. Additionally, the vasodilatory effect of some ROCK inhibitors reduces episcleral venous pressure.

Investigational Glaucoma Treatments

Despite the treatments available for lowering the intraocular pressure, there are some individuals for whom these treatments are either not tolerated due to side effects or in whom the intraocular pressure is not sufficiently lowered. In these situations, both glaucoma patient and physician look for alternative therapies.

While some experimental glaucoma medications explore new ways of controlling intraocular pressure, other treatments are directed at protecting the optic nerve (neuroprotection) to prevent eye damage, potential vision loss or even blindness. Many ongoing clinical studies are trying to find neuroprotective agents that might benefit the optic nerve and certain retinal cells in glaucoma.

Some investigational treatments are undergoing FDA clinical trials to prove safety and effectiveness. Other potential glaucoma treatments are strictly in experimental stages and may be years away from the possibility of being available on the marketplace.

Cannabis (THC) to treat Glaucoma

Decades of anecdotal evidence suggests that the use of *Cannabis* may play a role in lowering intraocular pressure in glaucoma. However, no such products have been formally investigated in clinical trials and none is currently approved for the treatment of this disease. The neuroprotective role of cannabinoids has not heretofore been utilized as a therapeutic strategy in glaucoma, primarily due to great difficulties associated with the targeted delivery of cannabinoids to intraocular tissues. This class of compound is also relatively poorly bioavailable due to its low aqueous solubility.

Previously reported attempts for topical delivery of cannabinoids, in particular, the psychoactive drug THC, to the ocular tissues used formulations based on mineral oil. Until very recently, studies on novel topical ophthalmic formulations of cannabinoids have been largely non-existent. Nevertheless, the use of marijuana to treat glaucoma has extensive anecdotal evidence and some supporting clinical data. It has been definitively demonstrated and widely appreciated, that smoking marijuana lowers intraocular pressure in both normal individuals and in those with glaucoma. Certain drawbacks are associated with the use of (smoked) marijuana to treat glaucoma:

- Marijuana has a short duration of action (only 3-4 hours), meaning that to lower the intraocular pressure around the clock it would have to be smoked every three hours;

- Marijuana's mood-altering effects, almost exclusively via the chemical THC, would prevent the patient who is using it from driving, operating heavy machinery, and functioning at maximum mental capacity; and

- Marijuana cigarettes also contain hundreds of compounds that damage the lungs, and the deleterious effect of chronic, frequent use of marijuana upon the brain is well established.

Other means of administering THC include oral, sublingual, and eye drop instillation. The first two modalities avoid the deleterious effect of marijuana smoke on the lungs but are limited by the other systemic side effects. Other side effects associated with systemic use of THC for glaucoma include: impaired lung function, psychosis, anxiety dependence, tolerance, acute cardiac events and central nervous system-related adverse effects. In one study in which doctors offered some of their patients with worsening glaucoma the option of pills containing THC and/or smoking marijuana, all of them experienced side effects and 4 of 9 patients had discontinued use by either or both methods within 9 months due to side effects. Given that glaucoma is a lifelong disease, commonly requiring treatment for decades, these results strongly suggest that systemic use of THC is not a reasonable treatment option for such patients. The use of eye drops containing THC, or related compounds, has been investigated, but it has not yet been possible to formulate an eye drop that is able to introduce the drug into the eye in sufficient concentrations due to the low poor water solubility of the active ingredients.

Although marijuana may lower the intraocular pressure temporarily, that intraocular pressure-lowering effect is only one consideration in slowing the optic nerve damage of glaucoma. For instance, there is a growing body of evidence that inadequate blood supply to the optic nerve may contribute to glaucoma-related damage. Since marijuana given systemically is known to lower blood pressure, it is possible that such an effect could be damaging to the optic nerve in glaucoma, possibly reducing or eliminating whatever beneficial effect that would be conferred by lowering intraocular pressure. For this reason, marijuana, or its components administered systemically, cannot be recommended without a long-term trial which evaluates the health of the optic nerve.

An exciting finding is the discovery of receptors for cannabinoids in the tissues of the eye itself, suggesting that local administration has the possibility of being effective. Furthermore, there is evidence from research in the brain that there may be properties of the cannabinoids that protect nerve cells like those in the optic nerve. This raises the hope that cannabinoids could protect the optic nerve not only through intraocular pressure-lowering but also through a neuroprotective mechanism. However, unless a well-tolerated formulation of a marijuana-related compound with a much longer duration of action is demonstrated in rigorous clinical testing to reduce optic nerve damage and preserve vision, there is no scientific basis for use of these agents in the treatment of glaucoma.

The wide variety of topically effective anti-glaucoma drugs that are available today, and a few others in the developmental stage, represent significant advancement in ocular therapeutics. While these topical ophthalmic preparations have reduced the risk of systemic toxicity to some extent, their long-term use causes systemic as well as ocular toxicity. Many ophthalmologists generally select the drugs individually and replace them regularly in order to prevent the habituation phenomenon (reduction in effect of the drug over time due to tolerance) and negative side effects.

Drug Discovery Process

To date, we have utilized several preclinical investigations to:

- Compile a list of genes that are associated with development of glaucoma disease from our own in-house curated disease analysis. We grouped these selected genes based on the glaucoma disease hallmarks such as trabecular meshwork remodeling, retinal ganglion cell survival and genes involved in extracellular matrix; and

- Better understand the relationship among selected glaucoma disease genes, we constructed a protein-protein interaction network and the graphic view of the interaction network was built for further discovery.

Glaucoma is a neurodegenerative disease in which various triggers (such as elevated intraocular pressure) induce cascades of events, which ultimately lead to apoptotic retinal ganglion cell death and result in irreversible loss of vision. However, as mentioned above, the goal of all current glaucoma therapies is to reduce intraocular pressure without including any strategies of neuroprotective treatment. In fact, some patients often fail to show much improvement even after intraocular pressure reduction, whereas others develop glaucoma in the absence of elevated intraocular pressure.

Key Preclinical Results for CBN as a Drug Candidate to Treat Glaucoma

INM-088 is an eye-drop CBN formulation being developed for the treatment of glaucoma. The preclinical development program for INM-088 has included a number of studies comparing a number of cannabinoids, including CBN, THC and CBD, among others, to determine which cannabinoid holds the greatest potential to treat glaucoma. This preclinical research to date is comprised of both *in vitro* and *in vivo* studies and led to the selection of CBN as the lead drug candidate for further development.

The scope of the *in vitro* studies to date include the following:

1) Evaluation of the neuroprotective effects of selected cannabinoids on the differentiated retinal ganglion cells, or “RGCs”, a thin layer of neurons responsible for relaying visual signals in the eye, under normal atmosphere pressure and elevated pressure conditions.

Notably, exposure of RGCs to increasing concentrations of several cannabinoids, including THC and CBD resulted in dose dependent cytotoxicity, or cell death, over time. Importantly, however, CBN-exposed RGCs demonstrated the lowest level of toxicity among the cannabinoids used in these experiments (n=5). In addition, exposure of the RGCs to elevated pressure in a cell-based model for glaucoma (without exposure to cannabinoids) for 72 hours resulted in high level of cytotoxicity, whereas exposure of these cells to both an elevated pressure (20-40 mmHg) plus CBN, within the same time-period, resulted in cell survival in a dose dependent fashion. A neuroprotective effect of CBN was also observed under elevated pressure conditions in the pressurized chamber that is designed to mimic the clinical situation of increased intraocular pressure in glaucoma; CBN performed better than both CBD and THC in this preclinical model under identical testing conditions.

2) Evaluation of anti-apoptotic effects of CBN on the differentiated RGCs when exposed to elevated pressure conditions.

Using the same *in vitro* model described above, we also looked at a specific, natural self-destruction process called programed cell death, or apoptosis. We verified that CBN has an anti-apoptotic effect on differentiated RGCs when subjected to elevated hydrostatic pressure. Exposure of these cells to high-pressure levels in the pressure chamber apparatus, without exposure to cannabinoids, for 6 hours resulted in an induction of apoptosis ranging from 30-60% (n=3). Exposure of these cells under the same conditions concurrently with CBN prevented apoptosis and resulted in a higher level of cell survival.

3) Evaluation of CBN impact on the expression of specific extracellular matrix (ECM) markers on primary human trabecular meshwork (TM) cells under basal condition and following stress-induction with Transforming Growth Factor Beta 2 (TGF-ß2), a cytokine used to alter extracellular matrix metabolism.

A key risk factor for the development and progression of glaucoma is elevated IOP, the result of increased resistance to aqueous humor outflow through the TM. Therefore, evaluation of CBN effects on TM observed under elevated pressure conditions mimics the clinical presentation of IOP in glaucoma is relevant in the clinical context of the disease. Increased outflow resistance has been strongly correlated with aberrantly elevated levels of TGF-ß2, a cytokine used to alter extracellular matrix metabolism of the TM of glaucoma patients compared to healthy individual. Using human primary TM cells derived from various donors and propagated *in vitro* at different cell passages, we were able to demonstrate that several extra-cellular matrix proteins, or “ECM” markers, were upregulated by TGF-ß2 induced condition. Furthermore, CBN treated TM cells basal condition or TGF-ß2 induced conditions for a duration of 72 hours resulted in reduction in the expression of several of these ECM protein markers (n=5).

We also conducted several *in vivo* experiments to understand the pharmacokinetics and efficacy of CBN in the eye as a potential treatment for glaucoma. The scope of these *in vivo* studies to date include the following:

4) Evaluation of CBN pharmacokinetic profile in the eye and plasma of a preclinical model by direct intravitreal (IVT) injection into the eye.

Our first *in vivo* study was designed to determine the pharmacokinetic profile of CBN in preclinical models, specifically measuring CBN levels in the eye and plasma following direct bilateral IVT injection. This means that individual injections were made directly into the vitreous humor (fluid of the central cavity of the eye). Following IVT delivery, CBN levels from the plasma (n=3 per time point) and the eye (n=6 per time point) were measured at several timepoints using a qualified method. CBN levels in the plasma samples were below the detection limit of the assay. Furthermore, CBN levels in the preclinical eye model were shown to persist for an extended period of time with a projected half-life ($t_{1/2}$) in the eye of approximately 33 hrs.

5) Evaluation of CBN neuroprotective and IOP-lowering effects in a preclinical glaucoma model by IVT injection.

We conducted a preclinical efficacy study to evaluate neuroprotective and IOP lowering effects of CBN following IVT injection in a preclinical episcleral vein laser photocoagulation model for glaucoma. To determine the health of the neurons inside the eye, a diagnostic tool called pattern electroretinogram (pERG) was used to measure electrical activity generated by the neuron in response to light. The baseline pERG measurements were initially made and treatment groups were randomized based on their baseline pERG amplitudes (n=11-14 per group). High IOP was induced unilaterally by laser photocoagulation of episcleral veins (to approximately 19 mmHg). The untreated eye served as a control. CBN was delivered by IVT injection after episcleral laser photocoagulation on three occasions. IOP and pERG were monitored at specific time points throughout the study. Reduction in IOP (to approximately 13 mmHg for the CBN treated group) and improvement of pERG amplitudes (-49.9% form baseline for vehicle control group, -31.6% from baseline for the active control (brimonidine tartrate) group and -31.6% from baseline for the CBN group) were the outcomes measured that are useful in evaluating candidates for a potential glaucoma treatment. In summary, data from this study demonstrated a reduction of IOP and improvement of pERG function following IVT injection of CBN in this preclinical episcleral vein laser photocoagulation model of glaucoma.

Ocular Formulation Development for INM-088

There are a wide variety of topically effective anti-glaucoma drugs that are available today and others in the developmental stage that represent significant advancements for ocular therapeutics. Ophthalmologists typically prescribe drugs individually and then switch to different classes of drugs on a regular basis in order to prevent the habituation phenomenon (reduction in effect of the drug over time) and negative side effects. There is an opportunity for new therapies with low systemic toxicity and those which may not exhibit habituation.

Until very recently, studies on novel topical ophthalmic formulations of cannabinoids have been largely non-existent. Designing an ideal delivery system for any ocular disease depends on the molecular properties of the drug substance and incorporating it into the formulation while taking into consideration parameters such as size, charge, and affinity towards various ocular tissues and pigments.

For all delivery technologies under examination as candidates for INM-088, key design criteria include, among others:

- Biocompatibility and biodegradability of the formulation;
- Viscous fluid behavior while inside the container (to facilitate ease of manufacturing, handling and dosing);
- Characterized and defined drug release, absorption and subsequent carrier degradation;
- Optimized particle size and surface charge to avoid irritation upon application to the eye and to facilitate ocular penetration; and
- Stable final drug product to ensure drug product quality storage over time.

One of the delivery technologies under development as a potential delivery vehicle for CBN in ocular disease is our proprietary, stimulus-responsive, nanoparticle-laden hydrogel vehicle for spatiotemporal and dosage-controlled release of cannabinoids into the aqueous humor of the eye. This hydrogel is envisioned to be packaged as a liquid and is intended for application as an eye drop. We investigated the compatibility and effectiveness of our hydrogel formulation with CBN as compared to other third-party ocular drug delivery technologies such as EyeCRO's MiDROPs® microemulsion. We conducted an *in vivo* study that compared both the hydrogel and MiDROPs® formulated with CBN and showed that a similar level of CBN was measured in the retina and retinal pigmented epithelium tissues following topical administration of each formulation. In early December 2020, we selected a final delivery technology based on the extensive data collected from these assessments that included solubility, drug delivery localization and sustained effect. This selection resulted in a licensing agreement with EyeCRO LLC for its proprietary MiDROPs® technology. Through this agreement, InMed has secured an exclusive, global commercial rights for the utilization of MiDROPs® for all cannabinoids, cannabinoid analogs and their variants. One key benefit for our INM-088 program by working with EyeCRO is that their product development and testing with MiDROPs® is already well advanced, having been previously reviewed by the US FDA during a pre-IND meeting.

Next Steps for the INM-088 in Glaucoma Program:

Subject to COVID-related delays and other external factors, we plan to accomplish the following tasks for the INM-088 in Glaucoma program during calendar year 2021 and into calendar year 2022:

- Process and analytical development and scale-up of INM-088 formulation, MiDROPs® with CBN, to enable pre-clinical and clinical supply;
- Conduct additional preclinical studies;
- Initiate and complete IND/CTA-enabling toxicology studies; and
- Prepare and file regulatory submissions (IND/CTA) and initiate the first clinical trials for INM-088.

Key Milestones:

- May 10, 2017 – We announced the filing of a patent (US62/503,258) entitled, “Ocular Drug Delivery Formulation” for INM-085 as a cannabinoid-based topical (hydrogel) therapy for glaucoma, which is an important step in providing intellectual and commercial protection for this therapy. We should note that the patent is for the hydrogel formulation and does not depend on which cannabinoid is used. We are developing a stimulus-responsive, nanoparticle-laden vehicle for controlled delivery of ophthalmic drugs into the aqueous humor of the eye.

- October 24, 2017 – We announced results from a study co-sponsored by us (Dr. Sazzad Hossain, our Chief Scientific Officer at the time) and University of British Columbia (laboratories of Professors Vikramaditya Yadav and Ujendra Kumar). We believe that this InMed-University of British Columbia study is the first ever to report hydrogel-mediated cannabinoid nanoparticle delivery into the eye, resulting in enhanced drug uptake via the cornea and lens. This study further evidences our capacity to conduct a wide spectrum of drug development activities, including:

- packaging the cannabinoid as a nanoparticle;

- formulation of a cannabinoid drug candidate into a novel, tissue specific delivery vehicle; and

- confirmation of drug delivery and diffusion into a target tissue.

  In this study, our proprietary hydrogel delivery method offered unique rheological characteristics permitting it to form a thin, uniform coating - essentially a gel-like lens - over the cornea through blinking of the eyelid. This lens holds the drug in place and allows for trans-corneal absorption of the drug, which can then diffuse within the eye to the retina. Total drug delivered using this hydrogel nanoparticle formulation was three-times higher than the control formulation.

- March 6, 2018 – We announced the publication of data on our glaucoma/hydrogel formulation program in the peer-reviewed journal Drug Delivery and Translational Research. The article, titled “A stimulus-responsive, in situ forming, nanoparticle-laden hydrogel for ocular drug delivery”, presents results from preclinical studies co-sponsored by us and was co-authored by Dr. Sazzad Hossain, our Chief Scientific Officer at the time of publication, and conducted at the labs of Drs. Vikramaditya Yadav and Ujendra Kumar at the University of British Columbia. In these studies, the investigators successfully validated the efficient transport of the formulated product in whole-eye experiments. The work seamlessly combined product design, synthetic biology, polymer rheology, and analysis of mass transport within ocular tissue. The hydrogel was formulated as a composite of hyaluronic acid and methylcellulose. Both polymers are biocompatible and highly mucoadhesive, making them ideal candidates for an ocular formulation. The amphiphilic nanoparticles were composed of a block copolymer composed of poly-ethylene oxide and poly-lactic acid, designed to facilitate enhanced cannabinoid drug delivery into the eye via the cornea. Results from the experiment verified the performance of a stimulus-responsive switching between thixotropy (thinning of the gel upon a shearing force, such as blinking) and temperature-dependent rheopexy (reforming as a gel after blinking), resulting in a thin, uniform gel-like lens that holds the drug in place to allow for trans-corneal transport. Envisioned as a once-per-day (at bedtime) administration, this formulation is designed to address many of the issues associated with current glaucoma medications.

- May 14, 2018 – We announced the filing of a PCT Application (PCT/CA2018/050548) for a cannabinoid-based topical therapy for glaucoma, which includes the protection of our technology in several countries, including the United States, and claims a priority date from May 8, 2017 (PCT/CA2018/050548). The PCT Application filing is a conversion from the provisional patent filed in May 2017.

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

- May 12, 2020 – We 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 – We 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.

- Dec. 3, 2020 – We announced the selection of the final formulation for INM-088, and we secured an exclusive, worldwide license from EyeCRO LLC for its Microemulsion Drug Ocular Penetration System (“MiDROPS®”) eyedrop delivery technology targeting effective, topical administration of cannabinoids to the eye.

Additional indications in ocular disease

Similar to the strategy being pursued with INM-755, we intend to fully investigate the potential for CBN in INM-088 to treat a wide array of ocular diseases, in particular, the potential for CBN to provide neuroprotection across several diseases where blindness is the ultimate outcome. We are currently pursuing preclinical models to more closely study this effect and will leverage the toxicology and Phase I safety studies across these new indications, if deemed applicable.

Other Research and Development Programs

There is a need to find alternatives to treat chronic and severe pain that are non-addictive and have limited side effects. We have conducted limited preclinical investigations of the potential of non-THC cannabinoids to treat pain using a topical approach. In September 2018, we filed a PCT Application in the United States for INM-405 as cannabinoid-based topical therapies for the treatment of pain, which is an important step in protecting our intellectual and commercial property. The patent cites a range of cannabinoids, alone or in combination, applied topically to treat various types of pain—muscle, nerve, arthritis-induced joint pain, etc.

Key* In Vivo *Results for our Pain Program

Important data from our research program for pain medications were published in the European Journal of Pain (2017) and the Archives of Oral Biology (2019). Both publications specifically cited data on the use of THC and certain other cannabinoids, alone and in combination, at varying ratios, in a preclinical pain model. Findings from the published studies include:

- Expression of cannabinoid receptors on masseter ganglion neurons. Both CB1 and CB2 receptor expression was observed in the trigeminal ganglion neurons that innervate the masseter muscle, as well as in the neuronal fibers in the muscle itself. This confirms that these peripheral nerves may be appropriate targets for a cannabinoid therapy;

- Effect of intramuscular injections of THC and certain other cannabinoids, alone and in combination, on nerve growth factor, or “NGF”, induced sensitization. NGF, if injected into a target tissue (muscle), makes the tissue more sensitive to pain, as can be measured by a mechanical threshold, or “MT”, scale. On this scale, a lower number represent a lower pain threshold, or a lower ability to tolerate a painful stimulus. NGF injection resulted in a lowering of the MT score. Applications of THC and certain other cannabinoids, either alone or in combination, were associated with an increase of MT, meaning a higher ability to tolerate pain. It should be noted that the NGF-induced reduction in MT model mimics the type of pain reported by sufferers of TMD. Importantly, these cannabinoids only affected the muscle into which it was injected; there was no effect on surrounding tissue; and

- In a behavioral analysis in these studies, test subjects treated with peripheral application of THC, the leading psychoactive component in marijuana, and certain other cannabinoids did not exhibit any effect on motor function. This indicates that the dose of THC used did not achieve sufficient circulatory distribution to reach the brain where it may exhibit psychoactivity. However, repeat applications of THC may still have potential to induce significant undesirable central effect.

Our INM-405 research program is at an early-stage and its continued development is subject to available resources and/or our ability to find funding or strategic partners. Continued investment in our INM-405 research program is under review and we will make a determination as to its future development based on several strategic factors, including other research priorities, in due course.

We have conducted a broad range of research and development activities to explore other uses of cannabinoids in treating human diseases with unmet medical needs.

Areas of our research focus have included Chronic Obstructive Pulmonary Disease, or "COPD", neurodegenerative diseases such as Huntington's Disease, and breast cancer.

These programs are at various early stages of development and, as non-core assets, their continued development is subject to available resources and/or our ability to find funding or strategic partners. Continued investment in each program is under review and we will make determinations as to which programs to continue based on several strategic factors. In addition, we may choose to partner some or all of these programs with external parties.

Recent Development

Definitive Agreement to acquire BayMedica, Inc.

On September 13, 2021, we announced the signing of a definitive agreement on September 10, 2021 to acquire BayMedica Inc. ("BayMedica"), a private company based in the USA that specializes in the manufacture and commercialization of rare cannabinoids (the "Definitive Agreement"). Closing of the transaction is expected to occur early of the fourth quarter of calendar 2021 and is subject to certain customary closing conditions. This Definitive Agreement follows on the June 29, 2021 announcement, when we announced the signing of a non-binding letter of intent (the "LOI") to acquire BayMedica. Upon closing, we will become a global leader in the manufacturing of rare cannabinoids, with expertise in three distinct and complementary cannabinoid manufacturing approaches. Our proprietary cannabinoid manufacturing process, IntegraSyn™, combined with BayMedica's synthetic biology and chemical synthesis capabilities, will provide us with complete manufacturing flexibility to select the most appropriate, cost-effective method based on the target cannabinoid and appropriate quality specifications for the desired market segment. In parallel to cannabinoid manufacturing, the combined company will continue to explore the therapeutic potential of cannabinoids and novel cannabinoid analogs for pharmaceutical drug development, as well as expand commercial sales of rare cannabinoids to the consumer health and wellness sector.

BayMedica is a revenue-stage biotechnology company leveraging its significant expertise in synthetic biology and pharmaceutical chemistry to develop efficient, scalable, and proprietary manufacturing approaches to produce high quality, regulatory-compliant rare cannabinoids for consumer applications. BayMedica is currently commercializing the rare cannabinoid CBC (cannabichromene) as a B2B supplier to distributors and manufacturers marketing products in the health and wellness sector. Revenues of BayMedica's initial rare cannabinoid product, Prodiol® CBC (cannabichromene), have grown steadily since sales commenced in December 2019, with cumulative revenues in excess of US$2.5M with revenues growing at an average of approximately 35% quarter on quarter in the 12 months ended June 30, 2021. BayMedica leads the industry in large batch production of CBC with current batch sizes of more than 200kg and an ability to increase to metric ton quantities as market demand increases. BayMedica is focused on the wholesale to consumer health and wellness markets, including nutraceuticals, cosmetic, functional food and beverage, as well as animal health markets. In addition to CBC, BayMedica has several high value non-intoxicating rare cannabinoids in various stages of commercial manufacturing scale-up including CBDV, THCV, CBGV, CBT and CBN for the health and wellness markets.

In November 2020, we entered into a reciprocal Research Collaboration Agreement with BayMedica to explore synergies between their respective technologies. BayMedica has been assessing specific elements of InMed's proprietary IntegraSyn™ approach for the production of cannabinoids. We have initiated preclinical investigation of several compounds selected from BayMedica's extensive library of proprietary cannabinoid analogs designed to be developed to treat human disease.

Pursuant to the indicative terms of the Definitive Agreement, upon closing of the transaction, we will acquire 100% of BayMedica in exchange for 1.78 million of our common shares and certain warrants, to be issued to BayMedica's equity and convertible debt holders with any such issued common shares being subject to a six-month contractual hold period and the warrants being exercisable after six months. The total number of our common shares to be issued or issuable in the proposed transaction may be reduced in the event that BayMedica's net liabilities exceed a negotiated threshold following completion of a financial review of BayMedica's closing balance sheet. The Definitive Agreement further provides that 470,000 of our common shares issuable on closing will be held in escrow, subject to cancellation, to satisfy certain potential post-closing indemnification and other claim(s) that we may have under the definitive agreement in the six- and twelve-month period following closing of the proposed transaction. BayMedica's equity and debt holders would receive Series A warrants to acquire up to 800,000 of our common shares with an exercise price equal to 125% of the average of the daily volume-weighted average price of the common shares on Nasdaq for the twenty days prior to the third business day before the closing of the proposed transaction (the "Deal Share Price") and Series B warrants to acquire up to 800,000 of our common shares priced at 200% of the Deal Share Price. The closing of the proposed transaction is subject to various customary closing conditions.

Manufacturing

The CBN used in INM-755 and INM-088 is currently sourced from either contract manufacturers or, for smaller quantities, from research material suppliers, that typically utilize synthetic chemistry. Changes in contract manufacturers or suppliers may require additional verification of the vendor's quality systems, compliance, manufacturing process, testing and equivalency to the currently supplied CBN prior to use. This is intended to be an interim step to enable us to proceed with developing its formulations, execute preclinical toxicology studies and progress through Phase I and II clinical trials. Thereafter, we may be able to utilize our IntegraSyn™ system for GMP APIs. Bridging studies consisting of chemical analysis and, possibly, animal bioavailability studies may be required in order to switch our API from the current external manufacturing sources to our internal IntegraSyn™ based APIs.

We expect that the final formulations (API + excipients + packaging) of INM-755 topical cream and the INM-088 eye drop formulation will be manufactured by contract manufacturers and sub-component fabricators. The contract manufacturers and sub-component fabricators will be selected based on their specific competencies in manufacturing, quality standards, and materials. FDA regulations require that products be produced under current cGMP.

Intellectual Property

A patent is a monopoly granted by a government for a period of up to 20 years. A patent provides an enforceable legal right to prevent others from exploiting an invention being a product, device, system, substance, process or method in the country of grant. For an invention to be patentable, it must be novel, involve an inventive step and useful at the time of filing the initial patent application for that invention. At 18 months from the initial patent application, the detailed description of the invention is published. In order to secure patent protection, a patent application is filed with the patent office in each country of interest, the application is considered under the patent laws of that country, and a patent will issue if the application meets the patentability criteria of that country. After a patent expires or lapses, anyone can then use the invention.

The grant of a patent does not guarantee validity and a patent may be challenged by third parties at a patent office by re-examination in some countries or through the courts by revocation proceedings. The grant of a valid patent does not mean that the invention may be exploited in a given country without infringing third party intellectual property rights in that country.

The owner of a patent has the exclusive right to prevent others from making, selling, importing or otherwise using the patented invention for the life of the patent. Patent infringement occurs when someone makes, hires, uses, imports or sells the patented invention, or a product made by a patented method, or offers to do these things, within the country covered by the patent without the permission of the owner of the patent.

Patent applications and patents are subject to payment of renewal fees over the life of the patent in order to maintain patent rights. If the renewal fees are not paid then the application or patent may lapse.

Adequate protection of intellectual property is a means to ensure that we can commercialize our intellectual property and reduce the likelihood of imitation by competitors. We intend to utilize patents available to protect its IP wherever possible. In addition, we also rely on trade-secrets and process know-how to protect our intellectual property. While we cannot patent the naturally occurring individual cannabinoids used in our products, there are a number of other approaches to protect our inventions. These include:

- patents on individual or combinations of cannabinoids that provide novel methods for treating diseases;
- cannabinoid delivery technology, formulations designed specifically to increase the safety and efficacy of drug treatments; and
- manufacturing processes for cannabinoids.

The patent methodologies listed above will be designed in a way to thoroughly protect our multi-faceted approach to develop novel cannabinoid medicines. We typically file patent applications in US, Canada, EU and other selected commercially significant foreign jurisdictions.

As of August 30th, 2021, we have three patent families covering novel methods for treating diseases, two for our INM-755 program (WO/2017/190249 and WO/2019/056123) and one for our INM-088 program (PCT/CA2020/050547). If these patents applications are granted and all maintenance fees or annuities are paid, these patents are expected to expire in 2037-2040. In some situations, the patent may be eligible for adjustment or extension of the patent terms due to delay in the patent office during the prosecution phase. The expiration date above does not include the adjustments or extensions.

As of August 30th, 2021, we have one patent family covering cannabinoid delivery technology for the INM-088 program (WO/2018/205022). If these patents applications are granted and all maintenance fees or annuities are paid, these patents are expected to expire in 2038. In some situations, the patent may be eligible for adjustment or extension of the patent terms due to delay in the patent office during the prosecution phase. The expiration date above does not include the adjustments or extensions.

As of August 30th, 2021, we have two patent families covering manufacturing process for cannabinoids of interest (WO/2019/046941 and PCT/CA2020/050309). If these patents applications are granted and all maintenance fees or annuities are paid, these patents are expected to expire in 2038-2040. In some situations, the patent may be eligible for adjustment or extension of the patent terms due to delay in the patent office during the prosecution phase. The expiration date above does not include the adjustments or extensions.

IP Status

InMed Patent Portfolio, Feb 2021

Subject Matter	Scope	Ownership / Origin	Filing Status / Filing Date	Patent Reference Number	Earliest Potential Patent Expiry[2]	Jurisdictions
Metabolic engineering of *E. coli* for the biosynthesis of cannabinoid products	Manufacturing Process	InMed, UBC[1]	PCT Application National stage filed, 09/05/2018	WO/2019/046941	2038	AU, CA, CN, EP, IL, IN, JP, KR, SG, US
Compositions and methods for biosynthesis of terpenoids or cannabinoids in a heterologous system	Manufacturing Process	InMed, UBC[1]	PCT Application - filed 3/6/2020	PCT/CA2020/050309	2040	TBD at National stage
Ocular drug delivery formulation (Hydrogel)	Formulation, Use	InMed	PCT Application - National stage filed, 05/08/2018	WO/2018/205022	2038	AU, CA, CN, EP, IL, IN, JP, KR, MX, SG, US, ZA
Compositions and methods for use of cannabinoids for neuroprotection	Use	InMed	PCT Application - filed 04/24/2020	PCT/CA2020/050547	2040	TBD at National stage
Topical formulations of cannabinoids and use thereof in the treatment of pain	Formulation, Use	InMed	PCT Application National stage filed, 09/21/2018	WO/2019/054123	2038	EP, US
Use of topical formulations of cannabinoids in the treatment of epidermolysis bullosa and related connective tissue disorders	Use	InMed	PCT Application National stage filed, 05/04/2017	WO/2017/190249	2037	AU, CA, CN, EP, IL, JP, SG, US

1 UBC is a co-inventor and has assigned all commercial rights to InMed 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.
2 Patents typically expire 20 years from their filing dates. If granted, the patent expiry may be extended by patent agencies and/or health regulatory authorities.

PCT = Patent Cooperation Treaty. Members in this treaty includes over 150 countries including USA, Canada, Europe and others.

The Patent Cooperation Treaty, or “PCT”, is an international patent law treaty, which provides a unified procedure for filing patent applications to protect inventions in each of its member states. There are 151 member countries within the PCT, enabling near-global patent coverage through successful patent prosecution in the U.S., Japan, Europe, Canada, Australia, New Zealand, China, Brazil, Russia, India and many other countries. We have several filed patent applications currently either in the provisional stage or PCT stage of review as shown above. None have been granted to date. We retain the full commercial rights to all of these patents with any exceptions noted in the above table.

ITEM 1A. RISK FACTORS

Summary of Risk Factors

The following is a summary of material risks that could affect our business. This summary may not contain all of our material risks, and it is qualified in its entirety by the more detailed risk factors set forth below.

- Our potential acquisition of BayMedica may not close and if it does close it may not be successful.
- Our IntegraSyn™ manufacturing approach may prove unsuccessful in being economically competitive.
- Our prospects depend on the success of our Product Candidates which are at early-stages of development with a statistically high probability of failure and are subject to lengthy, time-consuming and inherently unpredictable regulatory processes.
- Research restrictions, product shipment delays or prohibitions could have a material adverse effect on our business, results of operations and financial condition.
- Recent federal legislation and actions by state and local governments may permit reimportation of drugs from/to foreign countries where the drugs are sold at lower prices than in the country of origination, which could materially adversely affect our business and financial condition.
- The COVID-19 coronavirus could adversely impact our business, including several key activities that are critical to our success.
- The market prices for our common shares are volatile and will fluctuate and raising additional capital may cause dilution to our existing shareholders.

- If we fail to maintain an effective system of internal control over financial reporting in the future, we may not be able to accurately report our financial condition, results of operations or cash flows, which may adversely affect investor confidence in us and, as a result, the value of our common shares.

- In connection with the audit of our financial statements as of and for the years ended June 30, 2021 and 2020, material weaknesses in our internal control over financial reporting were identified and we may identify additional material weaknesses in the future.

- We have incurred, and will continue to incur, increased costs as a result of operating as a public company, and our management has been required, and will continue to be required, to devote substantial time to new compliance initiatives.

- We have a contingent liability arising out of electronic communications inadvertently made available to potential investors. These disclosures may constitute violations of Section 5 of the Securities Act of 1933.

- We have incurred significant losses since our inception, we anticipate that we will continue to incur losses in the future, we currently have no commercial revenue and we may never become profitable.

- We may become subject to claims or become involved in lawsuits related to intellectual property.

- We rely heavily on contract manufacturers over whom we have limited control and our existing collaboration agreements and any that we may enter into in the future may not be successful.

- We are dependent upon our key personnel to achieve our business objectives.

- Our insurance may be insufficient to cover losses that may occur as a result of our operations.

Risk Factors

Investing in our common shares involves a high degree of risk. You should carefully consider each of the following risks, together with all other information set forth in this Annual Form on 10-K, including the consolidated financial statements and the related notes, before making a decision to buy our common shares. If any of the following risks actually occurs, our business could be harmed. In that case, the trading price of our common shares could decline, and you may lose all or part of your investment.

Risks Related to our Business and Industry

Our potential acquisition of BayMedica may not close and if it does close it may not be successful.

We have signed a Definitive Agreement to acquire BayMedica. That transaction is subject to certain closing conditions and we cannot assure you that we will be able to close the transaction. In addition, BayMedica is an early stage development company and it has never been profitable. We will have to incur substantial expense to continue to develop its products and develop a market for those products in order for the transaction to be successful. We cannot assure you that those efforts will be successful.

Our IntegraSyn™ manufacturing approach may prove unsuccessful in achieving yields and/or cost levels required to be economically competitive with alternative methods of manufacturing.

Given the early-stage of development of the IntegraSyn™ program and the risks inherent in research and development, it is too early to project the commercial viability of cannabinoids produced via this process. Potential negative outcomes from this program include but are not limited to:

- the technology fails to produce sufficient quantities of cannabinoids or ones for which we or others have a need; or
- the cost structure of the technology is such that it is not commercially competitive with alternate methods of cannabinoid manufacturing leading to the technology having no value proposition nor incremental value to the Company.

Our prospects depend on the success of our Product Candidates which are at early-stages of development with a statistically high probability of failure.

Given the early-stage of development, we can make no assurance that our research and development programs will result in regulatory approval or commercially viable products. To achieve profitable operations, we, alone or with others, must successfully develop, gain regulatory approval, and market our future products. We currently have no products that have been approved by the FDA, HC, or any similar regulatory authority. To obtain regulatory approvals for our Product Candidates being developed and to achieve commercial success, clinical trials must demonstrate that the Product Candidates are safe for human use and that they demonstrate efficacy. We have no products or technologies which are currently in human clinical trials. Additionally, we have no products for commercial sale or licensed for commercial sale, nor do we expect to have any such products for the next several years.

Many potential pharmaceuticals products never reach the stage of clinical testing and even those that do have only a small chance of successfully completing clinical development and gaining regulatory approval. Our Product Candidates may fail for a number of reasons, including, but not limited to, being unsafe for human use or due to the failure to provide therapeutic benefits equal to or better than the standard of treatment at the time of testing. Positive results of early preclinical research may not be indicative of the results that will be obtained in later stages of preclinical or clinical research. Similarly, positive results from early-stage clinical trials may not be indicative of favorable outcomes in later-stage clinical trials. We can make no assurance that any future studies, if undertaken, will yield favorable results.

The early-stage of our product development makes it particularly uncertain whether any of our product development efforts will prove to be successful and meet applicable regulatory requirements, and whether any of our Product Candidates will receive the requisite regulatory approvals, be capable of being manufactured at a reasonable cost or be successfully marketed. If we are successful in developing our current and future Product Candidates into approved products, we will still experience many potential obstacles, such as the need to develop or obtain manufacturing, marketing and distribution capabilities. If we are unable to successfully commercialize any of our products, our financial condition and results of operations may be materially and adversely affected.

Even if our Product Candidates advance through preclinical studies and clinical trials, we may experience difficulties in managing our growth and expanding our operations.

We have limited resources to carry out objectives for our current and future preclinical studies and clinical trials. Since our inception as a pharmaceutical company in October 2014, we have conducted numerous preclinical experiments and are currently conducting early-stage clinical trials, which is a time-consuming, expensive and uncertain process. In addition, while we have experienced management and expect to contract out many of the activities related to conducting these programs, we are a small company with less than 20 employees and, therefore, have limited internal resources both to conduct preclinical studies and clinical trials and to monitor third-party providers. As our Product Candidates advance through preclinical studies and clinical trials, we will need to expand our development, regulatory and manufacturing operations, either by expanding our internal capabilities or contracting with other organizations to provide these capabilities for us. In the future, we expect to have to manage additional relationships with collaborators or partners, suppliers and other organizations. Our ability to manage our operations and future growth will require us to continue to improve our operational, financial and management controls, reporting systems and procedures.

If we have difficulty enrolling patients in clinical trials, the completion of the trials may be delayed or cancelled.

As our Product Candidates advance from preclinical testing to clinical testing, and then through progressively larger and more complex clinical trials, we will need to enroll an increasing number of patients that meet the eligibility criteria for those trials. The factors that affect our ability to enroll patients are largely uncontrollable and include, but are not limited to, the following:

- size and nature of the patient population;
- inclusion and exclusion criteria for the trial;
- design of the study protocol;
- competition with other companies for clinical sites or patients;
- the perceived risks and benefits of the product candidate under study;
- the patient referral practices of physicians; and
- the number, availability, location and accessibility of clinical trial sites.

As a result of the foregoing factors, we may have difficulty enrolling or maintaining the enrollment of patients in any clinical trials conducted for our products, which may result in the delay or cancellation of such trials. The delay or cancellation of any clinical trials could shorten any periods during which we may have the exclusive right to commercialize our Product Candidates or allow our competitors to bring products to market before us, which would impair our ability to successfully commercialize our Product Candidates and may harm our financial condition, results of operations and prospects.

If clinical trials of our Product Candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we would incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our Product Candidates.

Before obtaining marketing approval from regulatory authorities for the sale of our Product Candidates, we must conduct preclinical studies in animals and extensive clinical trials in humans to demonstrate the safety and efficacy of the Product Candidates. Clinical testing is expensive and difficult to design and implement, can take many years to complete and has uncertain outcomes. The outcome of preclinical studies and early clinical trials may not predict the success of later clinical trials and interim results of a clinical trial do not necessarily predict final results. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials due to lack of efficacy or unacceptable safety profiles, notwithstanding promising results in earlier trials. We do not know whether the clinical trials we may conduct will demonstrate adequate efficacy and safety to result in regulatory approval to market any of our Product Candidates in any jurisdiction. A product candidate may fail for safety or efficacy reasons at any stage of the testing process. A major risk we face is the possibility that none of our Product Candidates under development will successfully gain market approval from the FDA or other regulatory authorities, resulting in us being unable to derive any commercial revenue from them after investing significant amounts of capital in multiple stages of preclinical and clinical testing.

If we experience delays in clinical testing, we will be delayed in commercializing our Product Candidates, and our business may be substantially harmed.

We cannot predict whether any clinical trials will begin as planned, will need to be restructured, or will be completed on schedule, or at all. Our product development costs will increase if we experience delays in clinical testing. Significant clinical trial delays could shorten any periods during which we may have the exclusive right to commercialize our Product Candidates or allow our competitors to bring products to market before us, which would impair our ability to successfully commercialize our Product Candidates and may harm our financial condition, results of operations and prospects. The commencement and completion of clinical trials for our products may be delayed for a number of reasons, including delays related, but not limited, to:

- failure by regulatory authorities to grant permission to proceed or placing the clinical trial on hold;
- import/export and research restrictions for cannabinoid-based pharmaceuticals may delay or prevent clinical trials in various geographical jurisdictions;
- patients failing to enroll or remain in our trials at the rate we expect;
- suspension or termination of clinical trials by regulators for many reasons, including concerns about patient safety or failure of our contract manufacturers to comply with current good manufacturing practice, or “cGMP”, requirements;
- any changes to our manufacturing process that may be necessary or desired;
- delays or failure to obtain clinical supply from contract manufacturers of our products necessary to conduct clinical trials;
- Product Candidates demonstrating a lack of safety or efficacy during clinical trials;
- patients choosing an alternative treatment for the indications for which we are developing any of our Product Candidates or participating in competing clinical trials and/or scheduling conflicts with participating clinicians;
- patients failing to complete clinical trials due to dissatisfaction with the treatment, side effects or other reasons;
- reports of clinical testing on similar technologies and products raising safety and/or efficacy concerns;

- clinical investigators not performing our clinical trials on their anticipated schedule, dropping out of a trial, or employing methods not consistent with the clinical trial protocol, regulatory requirements or other third parties not performing data collection and analysis in a timely or accurate manner;

- failure of our CROs, to satisfy their contractual duties or meet expected deadlines;

- inspections of clinical trial sites by regulatory authorities or Institutional Review Boards, or "IRBs", or ethics committees finding regulatory violations that require us to undertake corrective action, resulting in suspension or termination of one or more sites or the imposition of a clinical hold on the entire study;

- one or more IRBs or ethics committees rejecting, suspending or terminating the study at an investigational site, precluding enrollment of additional subjects, or withdrawing its approval of the trial; or

- failure to reach agreement on acceptable terms with prospective clinical trial sites.

Our product development costs will increase if we experience delays in testing or approval or if we need to perform more or larger clinical trials than planned. Additionally, changes in regulatory requirements and policies may occur, and we may need to amend study protocols to reflect these changes. Amendments may require us to resubmit our study protocols to regulatory authorities or IRBs or ethics committees for re-examination, which may impact the cost, timing or successful completion of that trial. Delays or increased product development costs may have a material adverse effect on our business, financial condition and prospects.

Negative results from clinical trials or studies of others and adverse safety events involving the targets of our products may have an adverse impact on our future commercialization efforts.

From time to time, studies or clinical trials on various aspects of pharmaceutical products are conducted by academic researchers, competitors or others. The results of these studies or trials, when published, may have a significant effect on the market for the pharmaceutical product that is the subject of the study. The publication of negative results of studies or clinical trials or adverse safety events related to our Product Candidates, or the therapeutic areas in which our Product Candidates compete, could adversely affect the price of our common shares and our ability to finance future development of our Product Candidates, and our business and financial results could be materially and adversely affected.

We intend to expend our limited resources to pursue our Product Candidates for certain indications and may fail to capitalize on other Product Candidates or other indications for our Product Candidates that may be more profitable or for which there is a greater likelihood of success.

Because we have limited financial and managerial resources, we are focusing on research programs relating to our Product Candidates for certain indications, primarily for the treatment of EB, which concentrates the risk of product failure in the event our Product Candidates prove to be unsafe or ineffective or inadequate for clinical development or commercialization. As a result, we may forego or delay pursuit of opportunities with other Product Candidates or for other indications that could later prove to have greater commercial potential. We may also deem it advisable to refocus our clinical development programs based on clinical trial results.

The regulatory approval processes of the FDA, HC, the EMA and other comparable foreign regulatory authorities are lengthy, time-consuming and inherently unpredictable, and if we are ultimately unable to obtain regulatory approval for our Product Candidates, our business will be substantially harmed.

We are not permitted to market our Product Candidates in any jurisdiction until we receive formal approval from the appropriate regulatory authorities. For example, prior to submitting an NDA to the FDA or an MAA to the EMA for approval of our Product Candidates, we will need to complete our preclinical studies and clinical trials. Successfully completing our clinical program and obtaining approval of an application seeking commercialization approval is a complex, lengthy, expensive and uncertain process, and the regulatory authorities may delay, limit or deny approval of our Product Candidates for many reasons, including, among others, because:

- we may not be able to demonstrate that our Product Candidates are safe and effective in treating patients to the satisfaction of the regulatory authorities such as the FDA, HC or EMA;
- the results of our clinical trials may not meet the level of statistical or clinical significance required by the regulatory authorities for marketing approval;
- the regulatory authorities may disagree with the number, design, size, conduct or implementation of our clinical trials;
- the regulatory authorities may require that we conduct additional clinical trials;
- the regulatory authorities or other applicable foreign regulatory authorities may not approve the formulation, labeling or specifications of our Product Candidates;
- the contract manufacturing organizations and other contractors that we may retain to conduct our clinical trials may take actions outside of our control that materially adversely impact our clinical trials;
- the regulatory authorities may find the data from clinical studies and clinical trials insufficient to demonstrate that our Product Candidates are safe and effective for their proposed indications;
- the regulatory authorities may disagree with our interpretation of data from our preclinical studies and clinical trials;
- the regulatory authorities may not accept data generated at our clinical trial sites or may disagree with us over whether to accept efficacy results from clinical trial sites outside the United States, Canada or outside the European Union, as applicable, where the standard of care is potentially different from that in the United States, Canada or in the European Union, as applicable;

- if our applications are submitted to the regulatory authorities, the regulatory authorities may have difficulties scheduling the necessary review meetings in a timely manner, may recommend against approval of our application or may recommend or require, as a condition of approval, additional preclinical studies or clinical trials, limitations on approved labeling or distribution and use restrictions;

- the FDA may require development of a Risk Evaluation and Mitigation Strategy which would use risk minimization strategies to ensure that the benefits of certain prescription drugs outweigh their risks, as a condition of approval or post-approval, and the EMA may grant only conditional marketing authorization or impose specific obligations as a condition for marketing authorization, or may require us to conduct post-authorization safety studies;

- the FDA, DEA, HC, EMA or other applicable foreign regulatory agencies may not approve the manufacturing processes or facilities of third-party manufacturers with which we contract or DEA or other applicable foreign regulatory agency quotas may limit the quantities of controlled substances available to our manufacturers; or

- the FDA, HC, EMA or other applicable foreign regulatory agencies may change their approval policies or adopt new regulations.

In the United States, our activities are potentially subject to additional regulation by various federal, state and local authorities in addition to the FDA, including, among others, the Centers for Medicare and Medicaid Services, other divisions of the United States Department of Health and Human Services, or “HHS”, (for example, the Office of Inspector General), the Department of Justice, or “DOJ”, and individual United States Attorney offices within the DOJ, and state and local governments. Because of the breadth of these laws and the narrowness of available statutory and regulatory exemptions, it is possible that some of our business activities could be subject to challenge under one or more of such laws. If our operations are found to be in violation of any of the federal and state laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including criminal and significant civil monetary penalties, damages, fines, imprisonment, exclusion from participation in government programs, injunctions, recall or seizure of products, total or partial suspension of production, denial or withdrawal of pre marketing product approvals, private “qui tam” actions brought by individual whistleblowers in the name of the government or refusal to allow us to enter into supply contracts, including government contracts, and the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our results of operations. To the extent that any of our products are sold in a foreign country, we may be subject to similar foreign laws and regulations, which may include, for instance, applicable post-marketing requirements, including safety surveillance, anti-fraud and abuse laws, and implementation of corporate compliance programs and reporting of payments or transfers of value to healthcare professionals.

Any of these factors, many of which are beyond our control, could increase development costs, jeopardize our ability to obtain regulatory approval for and successfully market our Product Candidates and generate product revenue.

We intend to conduct clinical trials for our Product Candidates in several international jurisdictions, and acceptance by all regulatory authorities for such "international" data is not certain.

We intend to conduct clinical trials for our Product Candidates both inside and outside the United States. To date, all of our clinical development has been conducted outside of the United States. Ultimately, we plan to submit NDAs for our Product Candidates to the FDA and other regulatory authorities upon completion of all requisite clinical trials. As an example, although the FDA may accept data from clinical trials conducted outside the United States, acceptance of such study data by the FDA is subject to certain conditions. For example, the clinical trial must be conducted in accordance with FDA regulations relating governing human subject protection and the conduct of clinical trials, which are referred to as "Good Clinical Practice", or "GCP" requirements and the FDA must be able to validate the data from the clinical trial through an onsite inspection if it deems such inspection necessary. Where data from foreign clinical trials are intended to serve as the sole basis for marketing approval in the United States, the FDA will not approve the application on the basis of foreign data alone unless those data are considered applicable to the U.S. patient population and U.S. medical practice, the clinical trials were performed by clinical investigators of recognized competence, and the data is considered valid without the need for an on-site inspection by the FDA or, if the FDA considers such an inspection to be necessary, the FDA is able to validate the data through an on-site inspection or other appropriate means. In addition, such clinical trials would be subject to the applicable local laws of the foreign jurisdictions where the clinical trials are conducted. There can be no assurance the FDA or any other regulatory authorities will accept data from clinical trials conducted outside of the United States or other international jurisdictions. If the FDA or any other regulatory authorities does not accept any such data, it would likely result in the need for additional clinical trials, which would be costly and time-consuming and delay aspects of our development plan.

In addition, the conduct of clinical trials outside the United States could have a significant impact on us. Risks inherent in conducting international clinical trials include:

- foreign regulatory requirements that could burden or limit our ability to conduct our clinical trials;
- administrative burdens of conducting clinical trials under multiple foreign regulatory schema;
- foreign currency fluctuations which could negatively impact our financial condition since certain payments are paid in local currencies;
- manufacturing, customs, shipment and storage requirements;
- cultural differences in medical practice and clinical research; and
- diminished protection of intellectual property in some countries.

Our Product Candidates contain compounds that may be classified as "controlled substances", the use of which may generate public controversy and restrict their development or commercialization.

If a drug has a potential for abuse, the NDA or other regulatory submission must include a description and analysis of studies or information related to abuse of the drug, including a proposal for scheduling (for example, in the U.S. under the federal Controlled Substances Act, or "CSA"). A description of any studies related to overdosage is also required, including information on dialysis, antidotes, or other treatments, if known. While we believe there would be relatively minimal abuse potential with our Product Candidates given the low drug concentration and topical route of administration, we could be incorrect or they may be perceived as having the potential for substance abuse. In either case, there may be a negative effect on our ability to successfully develop or commercialize our Product Candidates. Since our Product Candidates contain purified substances that are chemically identical to those occurring in nature, they may, therefore, be classified as "controlled substances", and their regulatory approval may generate public controversy. Political and social pressures and adverse publicity could lead to delays in approval of, and increased expenses for, our Product Candidates. These pressures could also limit or restrict the introduction and marketing of our Product Candidates. Despite that fact that our APIs, which are the ingredients that give medicines their effects, are synthetically made and, therefore, we have no interaction with the Cannabis plant, adverse publicity from Cannabis misuse or adverse side effects from Cannabis or other cannabinoid products may adversely affect the commercial success or market penetration achievable for our Product Candidates. The nature of our business attracts a high level of public and media interest, and in the event of any resultant adverse publicity, our reputation may be harmed. Furthermore, if our Product Candidates are classified as "controlled substances", they may be subject to import/export and research restrictions that could delay or prevent the development of our products in various geographical jurisdictions. The successful commercialization of our Product Candidates may require permits or approvals from regulatory bodies, such as the DEA, that regulate controlled substances.

Research restrictions, product shipment delays or prohibitions could have a material adverse effect on our business, results of operations and financial condition.

Research on and the shipment, import and export of our Product Candidates and the API used in our Product Candidates will require research permits, import and export licenses by many different authorities. For instance, in the United States, the FDA, U.S. Customs and Border Protection, and the DEA; in Canada, the Canada Border Services Agency, and HC; in Europe, the EMA and the European Commission; in Australia and New Zealand, the Australian Customs and Border Protection Service, the Therapeutic Goods Administration, the New Zealand Medicines and Medical Device Safety Authority and the New Zealand Customs Service; and in other countries, similar regulatory authorities, regulate the research on and import and export of pharmaceutical products that contain controlled substances. Specifically, the import and export process requires the issuance of import and export licenses by the relevant controlled substance authority in both the importing and exporting country. We may not be granted, or if granted, maintain, such licenses from the authorities in certain countries. Even if we obtain the relevant licenses, shipments of API and our Product Candidates may be held up in transit, which could cause significant delays and may lead to product batches being stored outside required temperature ranges. Inappropriate storage may damage the product shipment resulting in delays in clinical trials or, upon commercialization, a partial or total loss of revenue from one or more shipments of API or our Product Candidates. Once shipment is complete, we or the research contractors we are working with may also suffer further delays or restrictions as a result of regulations governing research on cannabinoids. A delay in a clinical trial or, upon commercialization, a partial or total loss of revenue from one or more shipments of API or our Product Candidates could have a material adverse effect on our business, results of operations and financial condition. The aforementioned examples and lists of various authorities that may currently, or in the future, affect our ability to conduct research on or import or export our Product Candidates and/or API, should not be construed as exhaustive or comprehensive in any way.

Healthcare legislation, including potentially unfavorable pricing regulations or other healthcare reform initiatives, may increase the difficulty and cost for us to obtain marketing approval of and commercialize our Product Candidates.

Particularly in the United States but also in other jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval of our Product Candidates, restrict or regulate post-approval activities or affect our ability to profitably sell any Product Candidates for which we obtain marketing approval. One such regulation is the U.S. federal Patient Protection and Affordable Care Act (P.L. 111-148), or "PPACA", also referred to as the "Affordable Care Act" or "ACA", was signed March 23, 2010, as amended by the Health Care and Education Reconciliation Act, signed March 31, 2010. The act contains many provisions, with various effective dates. Provisions included in the ACA are intended to expand access to insurance, increase consumer protections, emphasize prevention and wellness, improve quality and system performance, expand the health workforce, and curb rising health care costs. The ACA aims to extend health insurance coverage to about 32 million uninsured Americans by expanding both private and public insurance.

We expect that the Affordable Care Act, as well as other healthcare reform measures that have been and may be adopted in the future, may result in more rigorous coverage criteria, new payment methodologies and in additional downward pressure on the price that we receive for any approved product, and could seriously harm our future revenue. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may compromise our ability to generate revenue, attain profitability or commercialize our products.

Increased scrutiny on drug pricing or changes in pricing regulations could restrict the amount that we are able to charge for our Product Candidates, which could adversely affect our revenue and results of operations.

Drug pricing by pharmaceutical companies is currently under increased scrutiny and is expected to continue to be the subject of intense political and public debate in the United States and other jurisdictions. Specifically, there have been several recent U.S. Congressional inquiries and hearings with respect to pharmaceutical drug pricing practices, including in connection with the investigation of specific price increases by several pharmaceutical companies. Additionally, several states have recently passed laws designed to, among other things, bring more transparency to drug pricing, and other states may pursue similar initiatives in the future. We cannot predict the extent to which our business may be affected by these or other potential future legislative or regulatory developments. However, increased scrutiny on drug pricing, negative publicity related to the pricing of pharmaceutical drugs generally, or changes in pricing regulations could restrict the amount that we are able to charge for our Product Candidates, which could have a material adverse effect on our revenue and results of operations.

Even if we are able to commercialize our Product Candidates, they may not receive coverage and adequate reimbursement from third-party payors, which could harm our business.

The availability of reimbursement by governmental and private payors is essential for most patients to be able to afford their treatments. Sales of our Product Candidates, if approved, will depend substantially on the extent to which the costs of these Product Candidates will be paid by health maintenance, managed care, pharmacy benefit and similar healthcare management organizations, or reimbursed by government health administration authorities, private health coverage insurers and other third-party payors. If reimbursement is not available, or is available only to limited levels, we may not be able to successfully commercialize our Product Candidates. Even if coverage is provided, the approved reimbursement amount may not be high enough to allow us to establish or maintain pricing sufficient to realize a sufficient return on our investment.

In the United States, the Medicare Modernization Act, established the Medicare Part D program and provided authority for limiting the number of drugs that will be covered in any therapeutic class thereunder. The Medicare Modernization Act, including its cost reduction initiatives, could decrease the coverage available for any of our approved products. Furthermore, private payors often follow Medicare in setting their own coverage policies. Therefore, any reduction in coverage that results from the Medicare Modernization Act may result in a similar reduction from private payors.

There is significant uncertainty related to the insurance coverage and reimbursement of newly approved products. In the United States, the principal decisions about reimbursement for new medicines are typically made by the Centers for Medicare & Medicaid Services, or "CMS", an agency within the HHS, as CMS decides whether and to what extent a new medicine will be covered and reimbursed under Medicare. Private payors tend to follow CMS to a substantial degree.

The intended use of a drug product by a physician can also affect pricing. For example, CMS could initiate a National Coverage Determination administrative procedure, by which the agency determines which uses of a therapeutic product would and would not be reimbursable under Medicare. This determination process can be lengthy, thereby creating a long period during which the future reimbursement for a particular product may be uncertain.

Outside the United States, particularly in EU Member States, the pricing of prescription drugs is subject to governmental control. In these countries, pricing negotiations or the successful completion of Health Technology Assessment, or "HTA", procedures with governmental authorities can take considerable time after receipt of marketing authorization for a product. In addition, there can be considerable pressure by governments and other stakeholders on prices and reimbursement levels, including as part of cost containment measures. Certain countries allow companies to fix their own prices for medicines but monitor and control company profits. Political, economic and regulatory developments may further complicate pricing negotiations, and pricing negotiations may continue after reimbursement has been obtained. Reference pricing used by various EU Member States and parallel distribution, or arbitrage between low-priced and high-priced EU member states, can further reduce net realized prices. In some countries, we or our collaborators may be required to conduct a clinical trial or other studies that compare the cost-effectiveness of our Product Candidates to other available therapies in order to obtain or maintain reimbursement or pricing approval. Publication of discounts by third-party payors or authorities may lead to further pressure on the prices or reimbursement levels within the country of publication and other countries. If reimbursement of any product candidate approved for marketing is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, our business, financial condition, results of operations or prospects could be adversely affected.

Our relationships with customers and third-party payors will be subject to applicable anti-kickback, fraud and abuse, federal exclusion or debarment, and other healthcare laws and regulations, which could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings.

Healthcare providers, physicians and third-party payors play a primary role in the recommendation and prescription of any Product Candidates for which we obtain marketing approval. Our future arrangements with third-party payors and customers may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we market, sell and distribute our products for which we obtain marketing approval. As a pharmaceutical company, even though we do not and will not control referrals of healthcare services or bill directly to Medicare, Medicaid or other third-party payors, certain federal and state healthcare laws and regulations pertaining to fraud and abuse and patients' rights are and will be applicable to our business. Restrictions under applicable federal and state healthcare laws and regulations that may affect our ability to operate include the following:

- the U.S. federal healthcare Anti-Kickback Statute impacts our marketing practices, educational programs, pricing policies and relationships with healthcare providers or other entities, by prohibiting, among other things, persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, order or recommendation of, any good or service, for which payment may be made under a federal healthcare program such as Medicare and Medicaid;

- federal civil and criminal false claims laws and civil monetary penalty laws impose criminal and civil penalties, including through civil whistleblower or qui tam actions, against individuals or entities for, among other things, knowingly presenting, or causing to be presented, false or fraudulent claims for payment of government funds (including through reimbursement by Medicare or Medicaid or other federal health care programs), which has been applied to impermissible promotion of pharmaceutical products for off-label uses, or making a false statement or record to avoid, decrease or conceal an obligation to pay money to the federal government;

- the U.S. Health Insurance Portability and Accountability Act, or "HIPPA", as amended by the Health Information Technology for Economic and Clinical Health Act, or "HITECH Act", among other things, imposes criminal and civil liability for executing a scheme to defraud any healthcare benefit program and also prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement or representation, or making or using any false writing or document knowing the same to contain any materially false, fictitious or fraudulent statement or entry in connection with the delivery of or payment for healthcare benefits, items or services;

- the U.S. federal Physician Payment Sunshine Act, being implemented as the Open Payments Program, requires applicable manufacturers of covered drugs, devices, biologics and medical supplies to report annually to HHS information related to payments and other transfers of value to physicians and teaching hospitals, and ownership and investment interests held by physicians and their immediate family members;

- analogous state laws and regulations, such as state anti-kickback laws, false claims laws and privacy and security of health information laws, may apply to sales or marketing arrangements, claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers, or health information; and

- certain state laws require pharmaceutical companies to adopt codes of conduct consistent with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government; restrict certain marketing-related activities including the provision of gifts, meals, or other items to certain health care providers; and/or require drug manufacturers to report information related to payments and other transfers of value to physicians and certain other healthcare providers or marketing expenditures.

Comparable laws and regulations exist in the countries within the European Economic Area, or "EEA". Although such laws are partially based upon European Union, or "EU", law, they may vary from country to country. Healthcare specific, as well as general EU and national laws, regulations and industry codes constrain, for example, our interactions with government officials and healthcare professionals, and the collection and processing of personal health data. Non-compliance with any of these laws or regulations could lead to criminal or civil liability.

Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines, imprisonment, exclusion from government funded healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of our operations. If any physicians or other healthcare providers or entities with whom we expect to do business are found to not be in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

Failure to comply with the U.S. Foreign Corrupt Practices Act, or "FCPA", the Canadian Corruption of Foreign Public Officials Act, or "CFPOA", and other global anti-corruption and anti-bribery laws could subject us to penalties and other adverse consequences

The FCPA and the CFPOA, as well as any other applicable domestic or foreign anti-corruption or anti-bribery laws to which we are or may become subject generally prohibit corporations and individuals from engaging in certain activities to obtain or retain business or to influence a person working in an official capacity and requires companies to maintain accurate books and records and internal controls, including at foreign-controlled subsidiaries. It is illegal to pay, offer to pay or authorize the payment of anything of value to any foreign government official, government staff member, political party or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity.

Compliance with these anti-corruption laws and anti-bribery laws may be expensive and difficult, particularly in countries in which corruption is a recognized problem. In addition, these laws present particular challenges in the pharmaceutical industry, because, in many countries, hospitals are operated by the government, and physicians and other hospital employees are considered to be foreign officials. Certain payments by other companies to hospitals in connection with clinical trials and other work have been deemed to be improper payments to governmental officials and have led to FCPA enforcement actions.

Our internal control policies and procedures may not protect us from reckless or negligent acts committed by our employees, future distributors, licensees or agents. We are currently working to get policies and processes in place to monitor compliance with the FCPA and CFPOA. We can make no assurance that they will not engage in prohibited conduct, and we may be held liable for their acts under applicable anti-corruption and anti-bribery laws. Noncompliance with these laws could subject us to investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, suspension or debarment from contracting with certain persons, the loss of export privileges, whistleblower complaints, reputational harm, adverse media coverage, and other collateral consequences. Any investigations, actions or sanctions or other previously mentioned harm could have a material negative effect on our business, operating results and financial condition.

Recent federal legislation and actions by state and local governments may permit reimportation of drugs from/to foreign countries where the drugs are sold at lower prices than in the country of origination, which could materially adversely affect our business and financial condition.

We may face competition for our Product Candidates, if approved, from cheaper generics and/or cannabinoid therapies sourced from foreign countries that have placed price controls on pharmaceutical products. This is referred to as parallel importation. For instance, the Medicare Modernization Act contains provisions that may change U.S. importation laws and expand pharmacists' and wholesalers' ability to import cheaper versions of an approved drug and competing products from Canada, where there are government price controls. These changes to U.S. importation laws will not take effect unless and until the Secretary of HHS certifies that the changes will pose no additional risk to the public's health and safety and will result in a significant reduction in the cost of products to consumers. The Secretary of HHS has so far declined to approve a reimportation plan. Proponents of drug reimportation, including certain state legislatures, may attempt to pass legislation that would directly allow reimportation under certain circumstances. Legislation or regulations allowing the reimportation of drugs, if enacted, could decrease the price we receive for any products that we may develop, including our Product Candidates, and adversely affect our future revenues and prospects for profitability.

We are dependent upon our key personnel to achieve our business objectives.

We depend on key personnel, the loss of any of whom could harm our business. Our future performance and development will depend to a significant extent on the efforts and abilities of its executive officers, key employees, and consultants. The loss of the services of one or more of these individuals could harm our business. Our success will depend largely on our continuing ability to attract, develop and retain skilled employees and consultants in our business. Because of the specialized scientific and managerial nature of our business, we rely heavily on our ability to attract and retain qualified scientific, technical and managerial personnel. The competition for qualified personnel in our field is intense. Due to this intense competition, we may be unable to continue to attract and retain qualified personnel necessary for the development of our business or to recruit suitable replacement personnel. Any delay in replacing such persons, or an inability to replace them with persons of similar expertise, would have a material adverse effect on our business, financial condition and results of operations.

Our employees may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could subject us to significant liability and harm our reputation.

We are exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include intentional failures to comply with regulations of domestic or foreign regulatory authorities. In addition, misconduct by employees could include intentional failures to comply with certain development standards, to report financial information or data accurately, or to disclose unauthorized activities to us. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. While prohibited, it is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business and results of operations, including the imposition of significant fines or other sanctions.

Our insurance may be insufficient to cover losses that may occur as a result of our operations.

We currently maintain directors' and officers' liability insurance, clinical trial insurance and property and general liability insurance and intend in the future to obtain shipping and storage insurance for Product Candidates. This insurance may not remain available to us or be obtainable by us at commercially reasonable rates, and the amount of our coverage may not be adequate to cover any liability we incur. Future increases in insurance costs, coupled with the increase in deductibles, will result in higher operating costs and increased risk. If we were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if we were to incur such liability at a time when we were not able to obtain liability insurance, our business, results of operations and financial condition could be materially adversely affected.

There may be changes in laws, regulations and guidelines which are detrimental to our business.

Our operations are subject to a variety of laws, regulations and guidelines relating to pharmacology, cannabinoids and drug delivery, as well as laws and regulations relating to health and safety, the conduct of operations, and the protection of the environment. While, to the knowledge of our management, we are currently in compliance with all such laws, changes to such laws, regulations and guidelines due to matters beyond our control may cause adverse effects to our operations and financial condition. These changes may require us to incur substantial costs associated with legal and compliance fees and ultimately require us to alter our business plan. In addition, if the governments of Canada or the United States were to enact or amend laws relating to our industry, it may decrease the size of, or eliminate entirely, the market for our Product Candidates, may introduce significant new competition into the market and may otherwise potentially materially and adversely affect our business, results of operations and financial condition.

If we do not comply with laws regulating the protection of the environment and health and human safety, our business could be adversely affected.

The research and development that we carry out either directly or through third-parties involves, and may in the future involve, the use of potentially hazardous materials and chemicals. Our operations may produce hazardous waste products. Although we believe that our safety procedures for handling and disposing of these materials comply with the standards mandated by local, state and federal laws and regulations, the risk of accidental contamination or injury from these materials cannot be eliminated. If an accident occurs, we could be held liable for resulting damages, which could be substantial. We are also subject to numerous environmental, health and workplace safety laws and regulations and fire and building codes. Although we maintain workers' compensation insurance as prescribed by the Province of British Columbia to cover us for costs and expenses we may incur due to injuries to our employees, this insurance may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us. Additional federal, state and local laws and regulations affecting our operations may be adopted in the future. We may incur substantial costs to comply with, and substantial fines or penalties if we violate, any of these laws or regulations.

Our proprietary information, or that of our customers, suppliers and business partners, may be lost or we may suffer security breaches.

In the ordinary course of our business, we may collect and store sensitive data, including intellectual property, data from preclinical studies, clinical trial data, our proprietary business information and that of our customers, suppliers and business partners, and personally identifiable information of our customers, clinical trial subjects and employees, in our data centers and on our networks. The secure processing, maintenance and transmission of this information is critical to our operations. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Although to our knowledge we have not experienced any such material security breach to date, any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disrupt our operations, damage to our ability to obtain patent protection for our Product Candidates, damage to our reputation, and cause a loss of confidence in our products and our ability to conduct clinical trials, which could adversely affect our business and reputation and lead to delays in gaining regulatory approvals.

We expect to face intense competition, often from companies with greater resources and experience than we have.

The pharmaceutical industry is highly competitive and subject to rapid change. The industry continues to expand and evolve as an increasing number of competitors and potential competitors enter the market. Many of these competitors and potential competitors have substantially greater financial, technological, managerial and research and development resources and experience than we have. Some of these competitors and potential competitors have more experience than we have in the development of pharmaceutical products, including validation procedures and regulatory matters. Other companies researching in the same disease areas may develop products that are competitive or superior to our Product Candidates. Other companies working in cannabinoid research may develop products targeting the same diseases that we are focused on that are competitive or superior to our Product Candidates. In addition, there are non-FDA approved Cannabis / cannabinoid preparations being made available from companies in the so-called “medical marijuana” industry, which may be competitive to our products. If we are unable to compete successfully, our commercial opportunities will be reduced and our business, results of operations and financial conditions may be materially harmed.

If we receive regulatory approvals, we intend to market our Product Candidates in multiple jurisdictions where we have limited or no operating experience and may be subject to increased business and economic risks that could affect our financial results.

If we receive regulatory approvals, we may plan to market our Product Candidates in jurisdictions where we have limited or no experience in marketing, developing and distributing our products. Certain markets have substantial legal and regulatory complexities that we may not have experience navigating. We are subject to a variety of risks inherent in doing business internationally, including risks related to the legal and regulatory environment in non-U.S. jurisdictions, including with respect to privacy and data security, trade control laws and unexpected changes in laws, regulatory requirements and enforcement, as well as risks related to fluctuations in currency exchange rates and political, social and economic instability in foreign countries. If we are unable to manage our international operations successfully, our financial results could be adversely affected.

Controlled substance legislation may differ in other jurisdictions and could restrict our ability to market our products internationally, which would result in increased business and economic risks that could affect our financial results.

Controlled substance legislation may differ in other jurisdictions and could restrict our ability to market our products internationally. Most countries are parties to the Single Convention on Narcotic Drugs 1961, which governs international trade and domestic control of narcotic substances, including Cannabis extracts. Countries may interpret and implement their treaty obligations in a way that creates a legal obstacle to our obtaining marketing approval for Product Candidates in those countries. These countries may not be willing or able to amend or otherwise modify their laws and regulations to permit our Product Candidates to be marketed or achieving such amendments to the laws and regulations may take a prolonged period of time. We would be unable to market our Product Candidates in countries with such obstacles in the near future or perhaps at all without modification to laws and regulations.

Product liability lawsuits against us could cause us to incur substantial liabilities.

Our use of our Product Candidates in clinical trials and the sale of our Product Candidates, if approved, exposes us to the risk of product liability claims. Product liability claims might be brought against us by patients, healthcare providers or others selling or otherwise coming into contact with our Product Candidates. For example, we may be sued if any product we develop allegedly causes injury or is alleged to be otherwise unsuitable during product testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, including as a result of interactions with alcohol or other drugs, negligence, strict liability, and a breach of warranties. Claims could also be asserted under local jurisdiction consumer protection acts. If we become subject to product liability claims and cannot successfully defend ourselves against them, we could incur substantial liabilities. In addition, regardless of merit or eventual outcome, product liability claims may result in, among other things:

- withdrawal of patients from our clinical trials;
- substantial monetary awards to patients or other claimants;
- decreased demand for our Product Candidates following marketing approval, if obtained;
- damage to our reputation and exposure to adverse publicity;
- increased FDA warnings on product labels or increased warnings imposed by the EMA or other regulatory authorities;
- litigation costs;
- distraction of management’s attention from our primary business;
- loss of revenue; and
- the inability to successfully commercialize our Product Candidates, if approved.

Our current clinical trial liability insurance coverage may not be sufficient to reimburse us for any expenses or losses we may suffer. Moreover, insurance coverage is becoming increasingly expensive and, in the future, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses due to liability. If we obtain marketing approval for our Product Candidates, we intend to expand our insurance coverage to include the sale of commercial products; however, we may be unable to obtain product liability insurance on commercially reasonable terms or in adequate amounts. Large judgments have been awarded in class action lawsuits based on drugs that had unanticipated side effects. The cost of any product liability litigation or other proceedings, even if resolved in our favor, could be substantial, particularly in light of the size of our business and financial resources. A product liability claim or series of claims brought against us could cause our share price to decline and, if we are unsuccessful in defending such a claim or claims and the resulting judgments exceed our insurance coverage, our financial condition, results of operations, business and prospects could be materially adversely affected.

Failure to protect our information technology infrastructure against cyber-based attacks, network security breaches, service interruptions, or data corruption could significantly disrupt our operations and adversely affect our business and operating results.

We rely on information technology, telephone networks and systems, including the internet, to process and transmit sensitive electronic information and to manage or support a variety of business processes and activities. We use enterprise information technology systems to record, process and summarize financial information and results of operations for internal reporting purposes and to comply with regulatory, financial reporting, legal and tax requirements. Despite the implementation of security measures, our information technology systems, and those of our third-party contractors and consultants, are vulnerable to a cyber-attack, malicious intrusion, breakdown, destruction, loss of data privacy or other significant disruption. Any such successful attacks could result in the theft of intellectual property or other misappropriation of assets, or otherwise compromise our confidential or proprietary information and disrupt our operations. Cyber-attacks are becoming more sophisticated and frequent, and our systems could be the target of malware and other cyber-attacks. We have invested in our systems and the protection of our data to reduce the risk of an intrusion or interruption, and we monitor our systems on an ongoing basis for any current or potential threats. Nonetheless, our computer systems are subject to penetration and our data protection measures may not prevent unauthorized access. We can give no assurances that these measures and efforts will prevent interruptions or breakdowns. If we are unable to detect or prevent a security breach or cyber-attack or other disruption from occurring, then we could incur losses or damage to our data, or inappropriate disclosure of our confidential information or that of others; and we could sustain damage to our reputation, suffer disruptions to our research and development and incur increased operating costs including increased cybersecurity and other insurance premiums, costs to mitigate any damage caused and protect against future damage, and be exposed to additional regulatory scrutiny or penalties and to civil litigation and possible financial liability. For instance, the loss of preclinical or clinical data could result in delays in our development and regulatory filing efforts and significantly increase our costs.

Our failure to comply with data protection laws and regulations could lead to government enforcement actions and significant penalties against us, and adversely impact our operating results.

We are subject to various domestic and international data protection laws and regulations (i.e., laws and regulations that address privacy and data security). The legislative and regulatory landscape for data protection continues to evolve, and in recent years there has been an increasing focus on privacy and data security issues. Numerous laws, including data breach notification laws, health information privacy laws and consumer protection laws, govern the collection, use and disclosure of health-related and other personal information. In addition, we may obtain health information from third parties (e.g., healthcare providers who prescribe our products) that are subject to privacy and security requirements under HIPAA regulations.

EU Member States, Australia and other countries have also adopted data protection laws and regulations, which impose significant compliance obligations. For example, the collection and use of personal data in the EU is governed by the provisions of the General Data Protection Regulation, or "GDPR". The GDPR and the national implementing legislation of the EU Member States impose strict obligations and restrictions on the ability to collect, analyze and transfer personal data, including health data from clinical trials and adverse event reporting. In particular, these obligations and restrictions concern the consent of the individuals to whom the personal data relates, the information provided to the individuals, the rights of individuals to control personal data and the security and confidentiality of the personal data. In addition, the Australian Privacy Act 1988 (Cth), and other laws in the states and territories in Australia where we conduct certain of our clinical trials, apply similar restrictions on our ability to collect, analyze and transfer medical records and other patient data.

A claim or series of claims brought against us alleging a failure to comply with these laws, or changes in the way in which these laws are implemented, could lead to government enforcement actions and significant penalties against us, and adversely impact our operating results and could cause our share price to decline and, if we are unsuccessful in defending such a claim or claims and the resulting judgments exceed our insurance coverage, our financial condition, results of operations, business and prospects could be materially adversely affected.

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, 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 partners, suppliers and potential customers to closely monitor their costs and reduce their spending budget. Any 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 countries or regions outside the United States and Canada may be less effective at vaccinations and containing COVID-19, in which case the risks described herein could be elevated significantly.

Risks Related to our Securities

The market prices for our common shares are volatile and will fluctuate.

The market price for our common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our control, including the following: (i) actual or anticipated fluctuations in our quarterly financial results; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to ours; (iv) addition or departure of our executive officers or members of our Board and other key personnel; (v) release or expiration of lock-up or other transfer restrictions on outstanding common shares; (vi) sales or perceived sales of additional common shares; (vii) liquidity of the common shares; (viii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; and (ix) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in our industry or target markets. Financial markets often experience significant price and volume fluctuations that affect the market prices of equity securities of public entities and that are, in many cases, unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of our common shares may decline even if our operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of our environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in limited or no investment in our common shares by those institutions, which could materially adversely affect the trading price of our common shares. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, our operations could be materially adversely impacted and the trading price of our common shares may be materially adversely affected.

Raising additional capital may cause dilution to our existing shareholders, restrict our operations or require us to relinquish rights to our technologies or Product Candidates.

We may seek additional capital through a combination of private and public equity offerings, debt financings, strategic partnerships and alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, existing ownership interests will be diluted and the terms of such financings may include liquidation or other preferences that adversely affect the rights of existing shareholders. Debt financings may be coupled with an equity component, such as warrants to purchase shares, which could also result in dilution of our existing shareholders' ownership. The incurrence of indebtedness would result in increased fixed payment obligations and could also result in certain restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business and may result in liens being placed on our assets and intellectual property. If we were to default on such indebtedness, we could lose such assets and intellectual property. If we raise additional funds through strategic partnerships and alliances and licensing arrangements with third parties, we may have to relinquish valuable rights to our Product Candidates or grant licenses on terms that are not favorable to us.

Future offerings of debt or equity securities may rank senior to common shares.

If we decide to issue debt or equity securities in the future ranking senior to our common shares or otherwise incur additional indebtedness, it is possible that these securities or indebtedness will be governed by an indenture or other instrument containing covenants restricting our operating flexibility and limiting our ability to pay dividends to shareholders. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges, including with respect to dividends, more favorable than those of common shares and may result in dilution to shareholders. Because our decision to issue debt or equity securities in any future offering or otherwise incur indebtedness will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings or financings, any of which could reduce the market price of our common shares and dilute their value.

Future sales of common shares by officers and directors may negatively impact the market price for our common shares.

Subject to compliance with applicable securities laws, our directors and officers and their affiliates may sell some or all of their common shares in the future. No prediction can be made as to the effect, if any, such future sales of common shares may have on the market price of the common shares prevailing from time to time. However, the future sale of a substantial number of common shares by our directors and officers and their affiliates, or the perception that such sales could occur, could adversely affect prevailing market prices for our common shares.

We do not currently pay dividends on our common shares and have no intention to pay dividends on our common shares for the foreseeable future.

No dividends on our common shares have been paid by us to date. We do not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of our Board, after taking into account a multitude of factors appropriate in the circumstances, including our operating results, financial condition and current and anticipated cash needs. In addition, the terms of any future debt or credit facility may preclude us from paying any dividends unless certain consents are obtained and certain conditions are met.

We are exposed to risks related to currency exchange rates.

We currently hold the majority of our cash, cash equivalents and short-term investments in U.S. dollars which is our functional currency. A portion of our current operations is conducted in Canadian dollars. Exchange rate fluctuations between other currencies and the U.S. dollar create risk in several ways, including the following:

- weakening of the Canadian dollar may decrease the value of our Canadian dollar cash, cash equivalents and short-term investments;
- weakening of the U.S. dollar may increase the cost of operations and products/services sourced in Canada;
- the exchange rates on non-U.S. dollar transactions and cash deposits can distort our financial results; and
- commercial product pricing and profit margins are affected by currency fluctuations.

For as long as we are an “emerging growth company” we intend to take advantage of reduced disclosure and governance requirements applicable to emerging growth companies, which could result in our common shares being less attractive to investors and could make it more difficult for us to raise capital as and when we need it.

We are an “emerging growth company,” as defined in the JOBS Act, and we have taken advantage, and intend to continue to take advantage, of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

Investors may find our common shares less attractive because we rely on these exemptions, which could contribute to a less active trading market for our common shares or volatility in our share price. In addition, we may be less attractive to investors and it may be difficult for us to raise additional capital as and when we need it. Investors may be unable to compare our business with other companies in our industry if they believe that our financial accounting is not as transparent as other companies in our industry. If we are unable to raise additional capital as and when we need it, our financial condition and results of operations may be materially and adversely affected.

We may take advantage of these reporting exemptions until we are no longer an emerging growth company.

If we fail to maintain an effective system of internal control over financial reporting in the future, we may not be able to accurately report our financial condition, results of operations or cash flows, which may adversely affect investor confidence in us and, as a result, the value of our common shares.

We will be required, under Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting that results in more than a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis. Section 404 of the Sarbanes-Oxley Act also generally requires an attestation from our independent registered public accounting firm on the effectiveness of our internal control over financial reporting. However, for as long as we remain an emerging growth company as defined in the JOBS Act, we intend to take advantage of the exemption permitting us not to comply with the independent registered public accounting firm attestation requirement.

Our compliance with Section 404 will require that we incur substantial accounting expense and expend significant management efforts. We may not be able to complete our evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal control over financial reporting is effective. We cannot assure you that there will not be material weaknesses or significant deficiencies in our internal control over financial reporting in the future. Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition, results of operations or cash flows. This may expose us, including individual executives, to potential liability which could significantly affect our business. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines we have a material weakness or significant deficiency in our internal control over financial reporting once that firm begins its audits of internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our common shares could decline, and we could be subject to sanctions or investigations by Nasdaq, the SEC, or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed by us in reports we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to management, recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

These inherent limitations include the realities that judgments 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 an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements or insufficient disclosures due to error or fraud may occur and not be detected.

Deficiencies in disclosure controls and procedures and internal control over financial reporting could result in a material misstatement in our financial statements.

We could be adversely affected if there are deficiencies in our disclosure controls and procedures or in our internal controls over financial reporting. The design and effectiveness of our disclosure controls and procedures and our internal controls over financial reporting may not prevent all errors, misstatements or misrepresentations. Consistent with other entities in similar stages of development, we have a limited number of employees currently in the accounting group, limiting our ability to provide for segregation of duties and secondary review. A lack of resources in the accounting group could lead to material misstatements resulting from undetected errors occurring from an individual performing primarily all areas of accounting with limited secondary review. Deficiencies in internal controls over financial reporting which may occur could result in material misstatements of our results of operations, restatements of financial statements, other required remediations, a decline in the price of our common shares, or otherwise materially adversely affect our business, reputation, results of operations, financial condition or liquidity.

In connection with the audit of our financial statements as of and for the years ended June 30, 2021 and 2020, material weaknesses in our internal control over financial reporting were identified and we may identify additional material weaknesses in the future.

In connection with the preparation and audits of our financial statements as of and for the years ended June 30, 2021 and 2020, material weaknesses (as defined under the Exchange Act and by the auditing standards of the U.S. Public Company Accounting Oversight Board, or “PCAOB”), were identified in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual financial statements will not be prevented or detected on a timely basis. The identified material weaknesses arose from a lack of resources in our finance function that resulted in an overstatement of the valuation of warrants issued as part of a financing.

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

We have begun taking measures, and plan to continue to take measures, to remediate these material weaknesses. However, the implementation of these measures may not fully address these material weaknesses in our internal control over financial reporting, and, if so, we would not be able to conclude that they have been fully remedied. Our failure to correct these material weaknesses or our failure to discover and address any other control deficiencies could result in inaccuracies in our financial statements and could also impair our ability to comply with applicable financial reporting requirements and make related regulatory filings on a timely basis. As a result, our business, financial condition, results of operations and prospects, as well as the trading price of our common shares, may be materially and adversely affected.

We have incurred, and will continue to incur, increased costs as a result of operating as a public company, and our management has been required, and will continue to be required, to devote substantial time to new compliance initiatives.

As a public company, we have incurred and are continuing to incur significant legal, accounting and other expenses and these expenses may increase even more after we are no longer an “emerging growth company.” We are subject to the reporting requirements of the Exchange Act and the rules adopted, and to be adopted, by the SEC. Our management and other personnel devote a substantial amount of time to these compliance initiatives.

Moreover, these rules and regulations have substantially increased our legal and financial compliance costs and made some activities more time-consuming and costly. The increased costs have increased our net loss. These rules and regulations may make it more difficult and more expensive for us to maintain sufficient director’s and officer’s liability insurance coverage. We cannot predict or estimate the amount or timing of additional costs we may continue to incur to respond to these requirements. The ongoing impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our Board, our Board committees or as executive officers.

Future sales and issuances of our common shares or rights to purchase common shares pursuant to our equity incentive plan could result in additional dilution of the percentage ownership of our shareholders and may cause our share price to fall.

We expect that significant additional capital will be needed in the future to continue our planned operations. To raise capital, we may sell substantial amounts of common shares or securities convertible into or exchangeable for common shares. These future issuances of common shares or common share-related securities, together with the exercise of outstanding options and any additional shares issued in connection with acquisitions, if any, may result in material dilution to our investors. Such sales may also result in material dilution to our existing shareholders, and new investors could gain rights, preferences and privileges senior to those of holders of our common shares.

Pursuant to our 2017 Amended and Restated Stock Option Plan, and as amended at our Annual General Meeting in November 2020, our compensation committee is authorized to grant equity-based incentive awards in the form of options to purchase common shares to our directors, executive officers and other employees and service providers. As of June 30, 2021, there were 493,387 options to purchase common shares available for future grant under our stock option plan. Future equity incentive grants under our stock option plan may result in material dilution to our shareholders and may have an adverse effect on the market price of our common shares.

Provisions in our corporate charter documents and certain Canadian laws could delay or deter a change of control.

Provisions in our articles and our by-laws, as well as certain provisions under the BCBCA and applicable Canadian securities laws, may discourage, delay or prevent a merger, acquisition, tender offer or other change in control of us that some shareholders may consider favorable. In addition, because our Board is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our shareholders to replace or remove our current management by making it more difficult for shareholders to replace members of our Board. As well, our preferred shares are available for issuance from time to time at the discretion of our Board, without shareholder approval. Our articles allow our Board, without shareholder approval, to determine the special rights to be attached to our preferred shares, and such rights may be superior to those of our common shares.

In addition, limitations on the ability to acquire and hold our common shares may be imposed by the Competition Act in Canada. This legislation permits the Commissioner of Competition of Canada, or "Commissioner", to review any acquisition of a significant interest in us. This legislation grants the Commissioner jurisdiction to challenge such an acquisition before the Canadian Competition Tribunal if the Commissioner believes that it would, or would be likely to, result in a substantial lessening or prevention of competition in any market in Canada. The Investment Canada Act subjects an acquisition of control of a company by a non-Canadian to government review if the value of our assets, as calculated pursuant to the legislation, exceeds a threshold amount. A reviewable acquisition may not proceed unless the relevant minister is satisfied that the investment is likely to result in a net benefit to Canada. Any of the foregoing could prevent or delay a change of control and may deprive or limit strategic opportunities for our shareholders to sell their shares.

If securities or industry analysts publish inaccurate or unfavorable research about our business, our share price and trading volume may decline.

The trading market for our common shares depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our shares or publish inaccurate or unfavorable research about our business, our shares price may decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our shares may decrease, which may cause our shares price and trading volume to decline.

We are incorporated in Canada, with our assets and officers primarily located in Canada, with the result that it may be difficult for investors to enforce judgments obtained against us or some of our officers.

We are a company organized and existing under the laws of British Columbia, Canada. Many of our directors and officers and the experts named in this Annual Form on 10-K are residents of Canada or otherwise reside outside the United States, and all or a substantial portion of their assets, and a substantial portion of our assets, are located outside the United States. It may be difficult for holders of common shares who reside in the United States to effect service within the United States upon those directors, officers and experts who are not residents of the United States. It may also be difficult for holders of securities who reside in the United States to realize in the United States upon judgments of courts of the United States predicated upon our civil liability and the civil liability of our directors, officers and experts under the U.S. federal securities laws. Our Canadian counsel has advised us that there is doubt as to the enforceability in Canada against us or against our directors, officers and experts who are not residents of the United States, in original actions or in actions for enforcement of judgments of courts of the United States, of liabilities predicated solely upon U.S. federal or state securities laws.

Conversely, some of our directors and officers reside outside Canada and some of our assets are also located outside Canada. Therefore, it may not be possible for you to enforce in Canada against our assets or those directors and officers residing outside Canada, judgments obtained in Canadian courts based upon the civil liability provisions of the Canadian securities laws or other laws of Canada.

We have a contingent liability arising out of electronic communications inadvertently made available to potential investors. These disclosures may constitute violations of Section 5 of the Securities Act of 1933.

In July 2020, following the filing of Amendment No. 2 to our Registration Statement on Form S-1 with the SEC, a third party vendor inadvertently distributed, without our consent, an email to addresses that had registered via our website to receive periodic corporate updates (the "Vendor Emails"). The Vendor Emails provided hyperlinks to our website and to our SEC filings, including to our Registration Statement on Form S-1, as amended, for this offering. The Vendor Emails and the material available through the embedded hyperlinks did not contain any non-public information. The hyperlinks included in the Vendor Emails were severed as promptly as possible.

As a public company, we maintain a standard corporate presentation on our website. We used an updated version of such presentation in connection with our fall 2020 offering. The only difference between the updated version of the presentation that we posted on our website and the potential investor version of the presentation was that the potential investor version included in the disclaimers section, a reference to the filing of our draft, non-confidential Registration Statement on Form S-1. In July 2020, we discovered that we had inadvertently posted the potential investor version of our standard corporate presentation to our website (the "July Presentation"). Promptly after becoming aware of the error, the incorrect corporate presentation was removed from our website and replaced with the correct version that did not include any reference to our Registration Statement on Form S-1. The incorrect version of the presentation was viewed on our website by limited number of unique viewers.

Any disclosure in the Vendor Emails or the July Presentation that did not comply with, or that exceeded the scope permissible under, Rule 134 under the Securities Act of 1933, may not be entitled to the "safe-harbor" provided by Rule 134. As a result, either the Vendor Emails or the July Presentation could be determined not to be in compliance for a registered securities offering under Section 5 of the Securities Act of 1933. If the communications in the Vendor Emails or the July Presentation are determined by a court to be a violation by us of the Securities Act of 1933, the recipients of the email messages, including someone who may have been forwarded the emails, if any, who purchase our common shares in this offering may have a rescission right, to require us 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. We could also incur considerable expense if contesting any such claims. Such payments and expenses, if required, could significantly reduce the amount of working capital we have available for our operations and business plan, delay or prevent us from completing our plan of operation, or force us to raise additional funding sooner than expected, which funding might not be available or available on favorable terms. Consequently, due to the Vendor Emails or the July Presentation, we may have a contingent liability arising out of this possible violation of the Securities Act of 1933. The likelihood and magnitude of this contingent liability, if any, is presently impossible to quantify. In addition, if either the Vendor Emails or the July Presentation is deemed to be a violation of Section 5 of the Securities Act of 1933, in addition to the potential contingent liability referenced above, the SEC and relevant state regulators could impose monetary fines or other sanctions as provided under relevant federal and state securities laws. Additionally, the value of our common shares could decline in the event that we are deemed to have liability or are required to make payments or pay expenses in connection with the potential claims described above.

Risks Related to our Financial Position and Capital Needs

We have incurred significant losses since our inception and anticipate that we will continue to incur losses in the future.

Since our inception as a pharmaceutical company in October 2014, we have devoted substantially all of our resources to the development of our proprietary Product Candidates. We have generated significant operating losses since our inception with an accumulated deficit to June 30, 2021 of approximately $74.9 million. Our accumulated deficit increased between 2014, when we began focusing on the development of cannabinoid-derived pharmaceuticals following the acquisition of Biogen Science Inc., and March 31, 2021 by approximately $46.0 million. Our comprehensive losses for the fiscal years ended June 30, 2021 and 2020 were approximately $9.8 million and $9.4 million, respectively. Substantially all of our losses have resulted from expenses incurred in connection with our research and development programs and from general and administrative costs associated with our operations.

We expect to continue to incur significant expenses and operating losses for the foreseeable future. We anticipate these losses will increase as we continue the research and development of, and clinical trials for, our Product Candidates. In addition to budgeted expenses, we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business. If our Product Candidates fail in preclinical or clinical trials, or do not gain regulatory approval, or even if approved, fail to achieve market acceptance, we may never become profitable. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods.

Due to our limited operating history and history of losses, any predictions about our future success, performance or viability may not be accurate.

We will require additional capital to fund our operations and if we fail to obtain necessary financing, we will not be able to complete the development and commercialization of our Product Candidates.

Our operations have consumed substantial amounts of cash since inception. We expect to continue to spend substantial and increasing amounts to conduct further research and development, preclinical testing and clinical trials of our Product Candidates, to seek regulatory approvals and reimbursement for our Product Candidates and to launch and commercialize any Product Candidates for which we receive regulatory approval.

As at June 30, 2021, we had approximately $7.4 million in cash, cash equivalents and short-term investments, which, combined with the net proceeds from the July 2, 2021 private placement, we currently estimate funds our operations until approximately into the second quarter of fiscal 2023. Our ability to develop our research and development programs beyond these specific activities, which are expected to be substantially completed by the end of our current fiscal year, is subject to accessing additional capital, including through the sale of equity, partnership revenues, and out-licensing activities. There is no assurance that we will be successful in these efforts.

The progress of our Product Candidates for both current and prospective target indication(s) is uncertain because it is difficult to predict our spending for our Product Candidates up to the time that we seek FDA approval due to numerous factors, including, without limitation, the rate of progress of clinical trials, the results of preclinical studies and clinical trials for such indication, the costs and timing of seeking and obtaining FDA and other regulatory approvals for clinical trials and FDA guidance regarding clinical trials for such indication. Moreover, changing circumstances may cause us to expend cash significantly faster than we currently anticipate, and we may need to spend more cash than currently expected because of circumstances beyond our control. For these reasons, we are unable to state unequivocally the actual funds we will require for development and any approved marketing and commercialization activities. Our future funding requirements, both near and long-term, will depend on many factors, including, but not limited to:

- the initiation, progress, timing, costs and results of preclinical studies and clinical trials for our Product Candidates;
- any change in the clinical development plans or target indications for these Product Candidates;
- the number and characteristics of Product Candidates that we develop or may in-license;
- the terms of any collaboration agreements we may choose to execute;
- the outcome, timing and cost of meeting regulatory requirements established by the Drug Enforcement Administration, or “DEA”, the FDA, the European Medicines Agency, or “EMA”, Health Canada, or “HC”, or other comparable foreign regulatory authorities;
- the cost of filing, prosecuting, defending and enforcing our patent claims and other intellectual property rights;
- the cost of defending intellectual property disputes, including patent infringement actions brought by third parties against us;
- the effect of competing product and market developments;
- the costs and timing of the implementation of commercial scale manufacturing activities; and
- the cost of establishing, or outsourcing, sales, marketing and distribution capabilities for any Product Candidates for which we may receive regulatory approval in regions where we choose to commercialize our products on our own.

We cannot be certain that additional funding will be available on acceptable terms, or at all. If we are unable to raise additional capital in sufficient amounts or on terms acceptable to us, we may have to significantly delay, scale back or discontinue the development or commercialization of one or more of our Product Candidates or one or more of our other research and development initiatives.

Any doubt about our ability to continue as a going concern may materially and adversely affect the price of our common shares, and it may be more difficult for us to obtain financing. Any doubt about our ability to continue as a going concern may also adversely affect our relationships with current and future collaborators, contract manufacturers and investors, who may become concerned about our ability to meet our ongoing financial obligations. If potential collaborators decline to do business with us or potential investors decline to participate in any future financings due to such concerns, our ability to increase our financial resources may be limited. We have prepared our financial statements on a going concern basis, which assumes that we will be able to meet our commitments, realize our assets and discharge our liabilities in the normal course of business. Our consolidated financial statements do not include any adjustment to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

We currently have no commercial revenue and may never become profitable.

Our ability to generate revenue and become profitable depends upon our ability to obtain regulatory approval for, and successfully commercialize, our Product Candidates that we may develop, in-license or acquire in the future.

Even if we are able to successfully achieve regulatory approval for these Product Candidates, we do not know what the reimbursement status of our Product Candidates will be or when any of these products will generate revenue for us, if at all. We have not generated, and do not expect to generate, any product revenue for the foreseeable future, and we expect to continue to incur significant operating losses for the foreseeable future due to the cost of research and development, preclinical studies and clinical trials and the regulatory approval process for our Product Candidates. The amount of future losses is uncertain and will depend, in part, on the rate of growth of our expenses.

Our ability to generate revenue and become profitable depends upon a number of additional factors, including our ability to:

- successfully complete development activities, including the remaining preclinical studies and ongoing and planned clinical trials for our Product Candidates;
- in-license or acquire in the future, Product Candidates and other potential lines of business that we may develop;
- complete and submit NDAs to the FDA and Marketing Authorization Applications, or “MAAs”, to the EMA, and obtain regulatory approval for indications for which there is a commercial market;
- complete and submit applications to, and obtain regulatory approval from, other foreign regulatory authorities;
- manufacture any approved products in commercial quantities and on commercially reasonable terms;
- develop a commercial organization, or find suitable partners, to market, sell and distribute approved products in the markets in which we have retained commercialization rights;
- achieve acceptance among patients, clinicians and advocacy groups for any products we develop;
- obtain coverage and adequate reimbursement from third parties, including government payors; and
- set a commercially viable price for any products for which we may receive approval.

We are unable to predict the timing or amount of increased expenses, or when or if we will be able to achieve or maintain profitability. Even if we are able to complete the processes described above, we anticipate incurring significant costs associated with commercializing our Product Candidates.

Changes in tax laws and unanticipated tax liabilities could adversely affect our effective income tax rate and ability to achieve profitability.

We are subject to income taxes in Canada. As our operations expand, we may become subject to income tax in jurisdictions outside of Canada. Our effective income tax rate in the future could be adversely affected by a number of factors including changes in the mix of earnings (losses) in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities and changes in tax laws. We regularly assess all of these matters to determine the adequacy of our tax provision which is subject to discretion. If our assessments are incorrect, it could have an adverse effect on our business and financial condition. There can be no assurance that income tax laws and administrative policies with respect to the income tax consequences generally applicable to us or to our subsidiaries will not be changed in a manner which adversely affects our shareholders.

Our ability to use our net operating loss carryforwards and other tax attributes may be limited.

As of our last fiscal year end, we had non-capital loss, or “NOL”, carry-forwards of approximately $50.9 million available to offset future taxable income in Canada. These NOL carry-forwards begin to expire in 2026.

Our NOL carryforwards could expire unused and be unavailable to offset future income tax liabilities. Under provisions in the Canadian Income Tax Act, and corresponding provisions of Canadian provincial law, if a corporation undergoes an “ownership change,” generally defined as a greater than 50% change, by value, the corporation’s ability to use its pre-change Canadian NOLs and other pre-change tax attributes, such as research and development tax credits, to offset its post-change income may be limited. Specifically, NOLs from a business before the change of control may be carried forward to taxation years after the change of control, but only if the same business is carried forward on after the change in control with a reasonable expectation of profit, and only to offset income from that business or a similar business. We have not performed any analyses under the applicable provisions in the Canadian Income Tax Act and cannot forecast or otherwise determine our ability to derive benefit from our various federal or provincial tax attribute carryforwards. As a result, if we earn net taxable income, our ability to use our pre-change NOL carryforwards to offset Canadian federal taxable income may be subject to limitations, which could potentially result in increased future tax liability to us. In addition, at the provincial level, there may be periods during which the use of NOLs is suspended or otherwise limited, which could accelerate or permanently increase provincial taxes owed.

In addition, we may experience ownership changes in the future as a result of subsequent shifts in our share ownership, including in any future offerings, some of which may be outside of our control. If we determine that an ownership change has occurred and our ability to use our NOL carryforwards is materially limited, it would harm our future operating results by effectively increasing our future tax obligations.

Changes to accounting standards may adversely impact the manner in which we report our financial position and operating results.

There are ongoing projects conducted by the Financial Accounting Standards Board in the United States that are expected to result in new pronouncements that continue to evolve, which could adversely impact the manner in which we report our financial position and operating results.

Risks Related to our Intellectual Property

Our success is largely dependent upon our patents, proprietary technology, and other intellectual property.

Our success will depend, in part, on our ability to obtain patents, protect our trade secrets and operate without infringing on the proprietary rights of others. Patents and other proprietary rights are essential to our business. We rely on trade secret, patent, copyright and trademark laws, and confidentiality and other agreements with employees and third parties, all of which offer only limited protection. Our general policy has been to file patent applications to protect our inventions and improvements to our inventions that are considered important to the development of our business. In certain cases, we have chosen to protect our intellectual property by treating it as confidential internal know-how. Our success will depend in part on our ability to obtain patents, defend patents, maintain internal know-how/trade secret protection and operate without infringing on the proprietary rights of others. Interpretation and evaluation of pharmaceutical patent claims present complex legal and factual questions. Further, patent protection may not be available for some of the products or technology we are developing. If we are placed in a position where we must spend significant time and money defending or enforcing our patents, designing around patents held by others or licensing patents or other proprietary rights held by others, our business, results of operations and financial condition may be harmed. In seeking to protect our inventions using patents it is important to note that we have 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;
- commercial exploitation of our inventions does not infringe the patents or intellectual property of others; or
- we will be able to obtain any extensions of the patent term.

A number of pharmaceutical, biotechnology and 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 our business. Some of these technologies, applications or patents could limit the scope of the patents, if any, that we may be able to obtain. It is also possible that these technologies, applications or patents may preclude us from obtaining patent protection for our inventions. Further, there may be uncertainty as to whether we may be able to successfully defend any challenge to our patent portfolio. Moreover, we may have to participate in derivation proceedings, inter partes review proceedings, post-grant review proceedings, or opposition proceedings in the various jurisdictions around the world. An unfavorable outcome in a derivation proceeding, an inter partes review proceeding, a post-grant review proceeding, or an opposition proceeding could preclude us or our collaborators or licensees from making, using or selling products using the technology, or require us to obtain license rights from third parties. It is not known whether any prevailing party would offer a license on commercially acceptable terms, if at all. Further, any such license could require the expenditure of substantial time and resources and could harm our business. If such licenses are not available, we could encounter delays or prohibition of the development or introduction of our product. In the case of intellectual property where we have chosen to protect it by treating it as internal knowhow, there can be no assurance that others with greater expertise or access to greater resources do not develop similar or superior technology that impairs the competitive value of our internal know-how.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

The U.S. Patent and Trademark Office, or "PTO", and various foreign national or international patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. Periodic maintenance fees on any issued patent are due to be paid to the PTO and various foreign national or international patent agencies in several stages over the lifetime of the patent. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of patent rights include, but are not limited to, failure to timely file national and regional stage patent applications based on our international patent application, failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. If we fail to maintain the patents and patent applications covering our Product Candidates, our competitors might be able to enter the market, which would have a material adverse effect on our business.

We may become subject to claims by third parties asserting that we or our employees have misappropriated their intellectual property or claiming ownership of what we regard as our own intellectual property.

Our commercial success depends upon our ability to develop, manufacture, market and sell our Product Candidates, and to use our related proprietary technologies without violating the intellectual property rights of others. We may become party to, or threatened with, future adversarial proceedings or litigation regarding intellectual property rights with respect to our Product Candidates, including interference or derivation proceedings before the PTO or other international patent offices. Third parties may assert infringement claims against us based on existing patents or patents that may be granted in the future. If we are found to infringe a third party's intellectual property rights, we could be required to obtain a license from such third party to continue commercializing our Product Candidates. However, we may not be able to obtain any required license on commercially reasonable terms or at all. Under certain circumstances, we could be forced, including by court order, to cease commercializing the applicable product candidate. In addition, in any such proceeding or litigation, we could be found liable for monetary damages. A finding of infringement could prevent us from commercializing our Product Candidates or force us to cease some of our business operations, which could materially harm our business. Any claims by third parties that we have misappropriated their confidential information or trade secrets could have a similar negative impact on our business.

While our preclinical studies are ongoing, we believe that the use of our Product Candidates in these preclinical studies fall within the scope of the exemptions provided by 35 U.S.C. Section 271(e) in the United States, which exempts from patent infringement liability activities reasonably related to the development and submission of information to the FDA. As our Product Candidates progress toward clinical trials and, ultimately, commercialization, the possibility of a patent infringement claim against us increases. We attempt to ensure that our Product Candidates and the methods we employ to manufacture them, as well as the methods for their uses we intend to promote, do not infringe other parties' patents and other proprietary rights. There can be no assurance they do not, however, and competitors or other parties may assert that we infringe their proprietary rights in any event.

We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time consuming and unsuccessful and have a material adverse effect on the success of our business.

Competitors may infringe our patents or misappropriate or otherwise violate our intellectual property rights. To counter infringement or unauthorized use, litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of our own intellectual property rights or the proprietary rights of others. Also, third parties may initiate legal proceedings against us to challenge the validity or scope of intellectual property rights we own. These proceedings can be expensive and time consuming. Many of our current and potential competitors have the ability to dedicate substantially greater resources to defend their intellectual property rights than we can. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. Litigation could result in substantial costs and diversion of management resources, which could harm our business and financial results. In addition, in an infringement proceeding, a court may decide that a patent owned by us is invalid or unenforceable or may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question. An adverse result in any litigation proceeding could put one or more of our patents at risk of being invalidated, held unenforceable or interpreted narrowly. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the price of our common shares.

If we are not able to adequately prevent disclosure of trade secrets and other proprietary information, the value of our technology and products could be significantly diminished.

We rely on trade secrets to protect our proprietary technologies, especially where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. We rely in part on confidentiality agreements with our current and former employees, consultants, outside scientific collaborators, sponsored researchers, contract manufacturers, vendors and other advisors to protect our trade secrets and other proprietary information. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, we cannot guarantee that we have executed these agreements with each party that may have or have had access to our trade secrets. Any party with whom we or they have executed such an agreement may breach that agreement and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches.

Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, some courts are less willing or unwilling to protect trade secrets. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent them, or those to whom they disclose such trade secrets, from using that technology or information to compete with us. If any of our trade secrets were to be disclosed to or independently developed by a competitor or other third-party, our competitive position would be harmed.

We may not be able to protect our intellectual property rights throughout the world.

Filing, prosecuting and defending patents on all of our Product Candidates throughout the world would be prohibitively expensive. Therefore, we have filed applications and/or obtained patents only in key markets such as the United States, Canada, Japan and Europe. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and, further, may be able to export otherwise infringing products to territories where we have patent protection but where enforcement is not as strong as that in the United States. These products may compete with our products in jurisdictions where we do not have any issued patents and our patent claims or other intellectual property rights may not be effective or sufficient to prevent them from so competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in certain foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to pharmaceuticals, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. For example, an April 2016 report from the Office of the United States Trade Representative identified a number of countries, including India and China, where challenges to the procurement and enforcement of patent rights have been reported. Several countries, including India and China, have been listed in the report every year since 1989. As a result, proceedings to enforce our patent rights in certain foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business and could be unsuccessful.

Patent terms may be inadequate to protect our competitive position on our Product Candidates for an adequate amount of time.

Given the amount of time required for the development, testing and regulatory review of new Product Candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. We expect to seek extensions of patent terms in the United States and, if available, in other countries where we are prosecuting patents. In the United States, the Drug Price Competition and Patent Term Restoration Act of 1984 permits a patent term extension of up to five years beyond the normal expiration of the patent, which is limited to the approved indication (or any additional indications approved during the period of extension). However, the applicable authorities, including the FDA and the PTO, and any equivalent regulatory authorities in other countries, may not agree with our assessment of whether such extensions are available, and may refuse to grant extensions to our patents, or may grant more limited extensions than we request. If this occurs, our competitors may be able to take advantage of our investment in development and clinical trials by referencing our clinical and preclinical data and launch their product earlier than might otherwise be the case.

Intellectual property rights do not necessarily address all potential threats to our competitive advantage.

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect our business, or permit us to maintain our competitive advantage. For example:

- others may be able to make compounds that are the same as or similar to our Product Candidates but that are not covered by the claims of the patents that we own;
- we might not have been the first to make the inventions covered by the issued patents or pending patent applications that we own;
- we might not have been the first to file patent applications covering certain of our inventions;
- others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing our intellectual property rights;
- it is possible that our pending patent applications will not lead to issued patents;
- issued patents that we own may not provide us with any competitive advantages, or may be held invalid or unenforceable as a result of legal challenges;
- our competitors might conduct research and development activities in the United States and other countries that provide a safe harbor from patent infringement claims for certain research and development activities, as well as in countries where we do not have patent rights and then use the information learned from such activities to develop competitive products for sale in our major commercial markets; or
- the patents of others may have an adverse effect on our business.

Risks Related to our Third Parties

We rely heavily on contract manufacturers over whom we have limited control. If we are subject to quality, cost or delivery issues with the preclinical and clinical grade materials supplied by contract manufacturers, our business operations could suffer significant harm.

We currently have no manufacturing capabilities and rely on contract development and manufacturing organizations, or "CDMOs", to manufacture our Product Candidates for preclinical studies and clinical trials. We rely on CDMOs for manufacturing, filling, packaging, testing, storing and shipping of drug products in compliance with cGMP, regulations applicable to our products. The FDA and other regulatory agencies ensure the quality of drug products by carefully monitoring drug manufacturers' compliance with cGMP regulations. The cGMP regulations for drugs contain minimum requirements for the methods, facilities and controls used in manufacturing, processing and packaging of a drug product. If our CDMOs increase their prices or fail to meet our quality standards, or those of regulatory agencies such as the FDA, and cannot be replaced by other acceptable CDMOs, our ability to obtain regulatory approval for and commercialize our Product Candidates may be materially adversely affected.

The APIs used in all of our Product Candidates are currently sourced from either contract manufacturers or, for smaller quantities, from research material suppliers, that typically utilize synthetic chemistry as their manufacturing method. This is intended to be an interim step to enable us to proceed with developing our formulation, execute preclinical toxicology studies and progress through Phase I and II clinical trials, after which time we anticipate that we will have been able to successfully scale-up our IntegraSyn^{TM} manufacturing approach so that it will be GMP- ready at pharmaceutical grade. Bridging studies consisting of chemical analysis and, possibly, animal studies may be required in order to switch our APIs from the current external manufacturing sources to our internally manufactured products. There is no guarantee that we will be successful in scaling up our IntegraSyn^{TM} manufacturing process for cannabinoids, or successfully complete any required bridging studies, or be able to successfully transfer our IntegraSyn^{TM} manufacturing process to a CDMO. The key risks and challenges associated with the development of the IntegraSyn^{TM} process include: failure to continue optimization and development of the process manufacturing steps from the current scale while maintaining the same or greater output of the selected cannabinoid; equipment and techniques may not be able to be scaled up using existing commercial processing equipment; supply of the key starting materials for the process may not be secured to ensure stability and security of commercial supply; and, failure of the large scale process to consistently produce the selected cannabinoid within set specifications and meeting the process parameters and in process controls to enable the manufacturing process to be validated for GMP commercial production of an API, among others. Failing to accomplish these or other criteria for the IntegraSyn^{TM} manufacturing process with a CDMO may mean that we are not able to produce certain cannabinoids in a cost-effective manner. This could result in us not being able to successfully commercialize or utilize our APIs in our Product Candidates, if any, that may obtain regulatory approval.

Our existing collaboration agreements and any that we may enter into in the future may not be successful.

We also have relationships with scientific collaborators at academic and other institutions, some of whom conduct research at our request or assist us in formulating our research and development strategies. These scientific collaborators are not our employees and may have commitments to, or consulting or advisory contracts with, companies that conflict in interests with and pose a competitive threat to us. Moreover, to the extent that we decide to enter into collaboration agreements, we will face significant competition in seeking appropriate collaborators. Collaboration arrangements are complex and time consuming to negotiate, document and implement. We may not be successful in our efforts to establish, implement and maintain collaborations or other alternative arrangements if we choose to enter into such arrangements and our selected partners may be given, and may exercise, a right to terminate their agreement with us without cause. Our Collaborative Research Agreement with the University of British Columbia may be terminated by either party upon 30 calendar days written notice. The terms of any collaboration or other arrangements that we may establish may not be favorable to us.

For all of the aforesaid reasons and others set forth in this Annual Form on 10-K, an investment in our common shares and any other securities that we may offer from time to time involves a certain degree of risk. Any person considering an investment in our common shares or any other of our securities should be aware of these and other factors set forth in this 10-K and should consult with his or her legal, tax and financial advisors prior to making an investment in our common shares or any other of our securities that may be offered from time to time. Our common shares and any other securities that we may offer from time to time should only be purchased by persons who can afford to lose all of their investment.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are located at Suite 310 - 815 W. Hastings Street, Vancouver, British Columbia V6C 1B4, Canada. This office occupies approximately 4,477 square feet with a monthly basic rental rate and operating charges of an estimated C$17,402 for the first two years, C$17,775 for the third and fourth years, and C$18,521 for the fifth year. This lease expires on August 31, 2024.

In July 2019, InMed entered into a facility lease agreement for approximately 4,000 square feet of office space in Vancouver, BC, which serves as our corporate headquarters. The lease was set to expire in August 2024. The lease has an option to renew for an additional three-year period at our discretion.

We believe substantially all of our property and equipment is in good condition and that InMed has sufficient capacity to meet its current operational needs. We further believe that, should it be needed, suitable additional space is available to accommodate any expansion of our operations, but such space may not be available in the same building, if and when such space is needed.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are subject to various legal proceedings, claims and administrative proceedings that arise in the ordinary course of our business activities. Although the results of the litigation and claims cannot be predicted with certainty, as of the date of this report, we do not believe we are party to any claim, proceeding or litigation the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors. However, as of the date of this Annual Form on 10-K, we are not involved in any material pending legal or governmental proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The Company's shares are listed on the on the Nasdaq Capital Market ("Nasdaq") under the trading symbol "INM").

Holders

There were approximately 3,182 holders of record of our common stock as of June 30, 2021. On September 23, 2021, the last reported sales price per share of our common stock was $1.83 per share.

Dividends

Subject to certain regulatory restrictions and to the rights of holders of the Company's preferred shares and any other class or series of shares having a preference as to dividends over the common shares then outstanding, the shareholders are entitled to receive dividends, as and when declared by our board of directors (the "Board"), subject to the rights, privileges and restrictions attaching to our securities, which may be paid in money, property or by the issue of fully paid shares in our capital. No dividends on our common shares have been paid by us to date. We do not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of our Board, after taking into account a multitude of factors appropriate in the circumstances, including our operating results, financial condition and current and anticipated cash needs. In addition, the terms of any future debt or credit facility may preclude us from paying any dividends unless certain consents are obtained and certain conditions are met.

Canadian withholding tax at a rate of 25% (subject to reduction under the provisions of any applicable income tax treaty or convention to which Canada is a signatory) will be payable on the gross amount of a dividend on our common shares paid or credited, or deemed to be paid or credited, to a holder of our common shares who, for purposes of the Income Tax Act (Canada), is not (and is not deemed to be) resident in Canada (a Non-Resident of Canada Holder). The Canadian withholding tax will be deducted from the amount of any dividends otherwise payable and remitted to the Receiver General of Canada. The rate of withholding tax applicable to a dividend paid on our common shares to a Non-Resident of Canada Holder who is a resident of the U.S. for purposes of the Canada-U.S. Tax Convention (1980), or the Convention, is the beneficial owner of the dividend and qualifies for the full benefits of the Convention will generally be reduced to 15% or, if such a Non-Resident of Canada Holder is a company that owns (or, for purposes of the Convention, is considered to own) at least 10% of our voting shares, to 5%. Not all persons who are residents of the U.S. for purposes of the Convention will qualify for the benefits of the Convention. A Non-Resident of Canada Holder who is a resident of the U.S. is advised to consult his or her tax advisor in this regard. The rate of withholding tax on dividends is also reduced under other bilateral income tax treaties to which Canada is a signatory.

Unregistered Sales of Equity Securities

All prior unregistered sales of equity securities have been previously included in a Quarterly Report on Form 10-Q or in a Current Report on Form 8-K and therefore need not be furnished in this Annual Report.

Repurchases of Equity Securities

None.

ITEM 6. SELECTED FINANCIAL DATA

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and have therefore omitted the information required by this Item 6.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is subject to the safe harbor created by those sections. For more information, see "Cautionary Note Regarding Forward-Looking Statements." When reviewing the discussion below, you should keep in mind the substantial risks and uncertainties that impact our business. In particular, we encourage you to review the risks and uncertainties described in "Risk Factors" in this Annual Report on Form 10-K. These risks and uncertainties could cause actual results to differ materially from those projected or implied by our forward-looking statements contained in this report. These forward-looking statements are made as of the date of this report, and we do not intend, and do not assume any obligation, to update these forward-looking statements, except as required by law.

The following discussion and analysis should be read in conjunction with our consolidated financial statements for the year ended June 30, 2021, and the related notes thereto, which have been prepared in accordance with U.S. GAAP. Additionally, the following discussion and analysis should be read in conjunction with the audited consolidated financial statements included in this Form 10-K filing. Throughout this discussion, unless the context specifies or implies otherwise, the terms "InMed," "we," "us," and "our" refer to InMed Pharmaceuticals Inc.

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

Overview

We are a clinical stage pharmaceutical company developing a pipeline of prescription-based products targeting treatments for diseases with high unmet medical needs as well as developing proprietary manufacturing technologies.

We are developing an integrated biosynthesis-based manufacturing approach, called IntegraSyn™, for synthesizing pharmaceutical-grade cannabinoids, for potential use in product candidates. IntegraSyn™, together with our prescription-based products are referred to as our "Product Candidates." We are dedicated to delivering new therapeutic alternatives to patients who may benefit from cannabinoid-based pharmaceuticals. Our approach leverages on the several thousand years' history of health benefits attributed to the Cannabis plant and brings this anecdotal information into the 21st century by applying tried, tested and true pharmaceutical drug development discipline and a scientific approach to establish non-plant-derived (synthetically manufactured), individual cannabinoid compounds as clinically proven, FDA-approved medicines. While our activities do not involve direct use of Cannabis nor extracts from the plant, we note that the U.S. Food and Drug Administration ("FDA") has, to date, not approved any marketing application for Cannabis for the treatment of any disease or condition and has approved only one Cannabis-derived and three Cannabis-related drug products. Our APIs, which are the ingredients that give medicines their effects, are synthetically made and, therefore, we have no interaction with the Cannabis plant. We do not grow nor utilize Cannabis nor its extracts in any of our products; our products are applied topically (not inhaled nor ingested); and we do not utilize THC or CBD, the most common cannabinoid compounds that are typically extracted from the Cannabis plant, in any of our products. The API under development for our initial two drug candidates, INM-755 for epidermolysis bullosa ("EB") and INM-088 for glaucoma, is cannabinol ("CBN"). Additional uses of both INM-755 and INM-088 are being explored, as well as the application of additional rare cannabinoids to treat diseases.

We believe we are positioned to develop multiple product candidates in diseases which may benefit from medicines based on rare cannabinoid compounds. Most currently approved cannabinoid therapies are based specifically on cannabidiol ("CBD") and/or tetrahydrocannabinol ("THC") and are often delivered orally, which has limitations and drawbacks, such as side effects (including the intoxicating effects of THC). Currently, we intend to deliver our rare cannabinoid pharmaceuticals through various topical formulations, including through cream for dermatology and eye drops for ocular diseases, as a way of enabling treatment of the specific disease at the site of disease while seeking to minimize systemic exposure and any related unwanted systemic side effects, including any drug-drug interactions and any metabolism of the active pharmaceutical ingredient by the liver. THC and CBD can be obtained either from plant extraction or chemically synthesized. We plan to access rare cannabinoids via all non-extraction approaches, including our IntegraSyn™ approach, thus negating any interaction with or exposure to the Cannabis plant.

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

We have incurred significant operating losses since our inception and since the acquisition of Biogen Science Inc. and we expect to continue to incur significant operating losses for the foreseeable future. Our ability to generate product revenue, if ever, that is sufficient to achieve profitability will depend heavily on the successful development and eventual commercialization of one or more of our drug candidates and/or our integrated, biosynthesis-based manufacturing technology. Our comprehensive loss was $9.8 million and $9.4 million for the year ended June 30, 2021 and 2020, respectively. As of June 30, 2021, we had an accumulated deficit of $74.9 million, which includes all losses since our inception in 1981. Our accumulated deficit increased between 2014, when we began focusing on the development of cannabinoid-derived pharmaceuticals following the acquisition of Biogen Science Inc., and June 30, 2021 by approximately $46.0 million. We expect our expenses and operating losses will increase substantially over the next several years in connection with our ongoing activities as we:

- continue to further advance the development of our IntegraSyn™ manufacturing approach;
- continue to further advance the INM-755 program, our lead drug candidate for the treatment of EB;
- continue to further advance the INM-088 program, our drug candidate for the treatment of glaucoma;
- investigate our Product Candidates for additional uses beyond the initial indications;
- pursue the discovery of drug targets for other diseases with high unmet medical needs and the subsequent development of any resulting new Product Candidates;
- seek regulatory approvals for any Product Candidates that successfully complete clinical trials;
- scale-up our manufacturing processes and capabilities, or arrange for a third party to do so on our behalf, to support our clinical trials of our Product Candidates and commercialization of any of our Product Candidates for which we obtain marketing approval;
- execute on business development activities, including but not limited to company mergers/acquisitions and acquisition or in-licensing of externally developed products and/or technologies;
- maintain, expand, enforce, defend and protect our intellectual property;
- hire additional clinical, quality control and scientific personnel; and
- add operational, financial and management information systems and personnel, including personnel to support our product development and potential future commercialization efforts and our operations as a public company.

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

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

Recent Developments

On July 2, 2021, we closed a $12.0 million private placement. After deducting the placement agent fees and estimated offering expenses payable by us, we received net proceeds of approximately $11.0 million.

On September 10, 2021, we entered into the Definitive Agreement to acquire BayMedica Inc., a private company based in the U.S. that specializes in the manufacturing and commercialization of rare cannabinoids. The Definitive Agreement follows a previously signed letter of intent announced on June 29, 2021. At closing of the transaction, we will issue 1.78 million common shares and certain warrants to BayMedica's equity and convertible debt holders with any such issued common shares being subject to a six-month contractual hold period and the warrants being exercisable after six months. Closing of the transaction is subject to certain standard closing conditions. See "Business – Recent Development – *Definitive Agreement to acquire BayMedica, Inc.*"

Components of Results of Operations

Revenue

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

We may also, in the future, conduct merger/acquisition activities with other company, or acquire or in-license externally developed products and/or technologies which may generate revenue. We may enter into license or collaboration agreements for our Product Candidates or intellectual property and we may generate revenue in the future from payments as a result of such license or collaboration agreements.

Operating Expenses

Research and Development and Patent Expenses

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

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

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

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

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

- the timing and progress of preclinical and clinical development activities;
- the number and scope of preclinical and clinical programs we decide to pursue;
- our ability to raise additional funds necessary to complete preclinical and clinical development and commercialization of our Product Candidates and to advance the development of our biosynthesis-based manufacturing technology;
- our ability to maintain our current research and development programs and to establish new ones;
- our ability to establish licensing or collaboration arrangements;
- the progress of the development efforts of parties with whom we may enter into collaboration arrangements;
- the successful initiation and completion of clinical trials with safety, tolerability and efficacy profiles that are satisfactory to the FDA or any comparable foreign regulatory authority;
- the receipt and related terms of regulatory approvals from applicable regulatory authorities;
- the availability of raw materials and API for use in production of our Product Candidates;

- our ability to secure manufacturing supply through relationships with third parties or establish and operate a manufacturing facility;
- our ability to consistently manufacture our Product Candidates in quantities sufficient for use in clinical trials;
- our ability to obtain and maintain intellectual property protection and regulatory exclusivity, both in the United States and internationally;
- our ability to maintain, enforce, defend and protect our rights in our intellectual property portfolio;
- the commercialization of our Product Candidates, if and when approved;
- our ability to obtain and maintain third-party payor coverage and adequate reimbursement for our Product Candidates, if approved;
- the acceptance of our Product Candidates, if approved, by patients, the medical community and third-party payors;
- competition with other products; and
- a continued acceptable safety profile of our products following receipt of any regulatory approvals.

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

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

General and Administrative Expenses

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

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

Amortization and Depreciation

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

Share-based Payments

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

Derivative financial instruments

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

Other Income

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

Results of Operations

Comparison of the year ended June 30, 2021 and 2020

	Year Ended June 30,			
	2021	2020	Change	% Change
	(in thousands)			
Operating expenses:				
Research and development and patents	$ 5,338	$ 5,811	$ (473)	(8%)
General and administrative	4,479	3,227	1,252	39%
Amortization and depreciation	121	112	9	8%
Total operating expenses	9,938	9,150	788	9%
Interest income	16	130	(114)	(88%)
Finance expense	(360)	-	(360)	nm
Unrealized gain on derivative warrants liability	243	-	243	nm
Foreign exchange (loss) gain	(164)	81	(245)	(302%)
Net loss	$ (10,203)	$ (8,939)	$ (1,264)	14%

Research and Development and Patents Expenses

Research and development and patents expenses decreased by $0.5 million, or 8%, for the year ended June 30, 2021 compared to the year ended June 30, 2020. The reduction in research and development and patents expenses was primarily due to decreased purchases of the active pharmaceutical ingredients used in INM-755 clinical trials. In addition, share-based payments were $0.3 million lower for the year ended June 30, 2021 while CRO expenditures increased by $0.2 million relative to the prior year.

General and administrative expenses

General and administrative expenses increased by $1.3 million, or 39%, for the year ended June 30, 2021 compared to the year ended June 30, 2020. The increase results from a combination of changes including substantially higher insurance fees and higher personnel expenses, partially offset by lower share-based payments and lower investor relation expenses.

Finance expense

Finance expense is $0.4 million for the year ended June 30, 2021, compared to $Nil for the year ended June 30, 2020. Finance expense is comprised of financing transaction costs, from the November 2020 public offering, which were allocated to the derivative warrants liability.

Unrealized gain of derivative warrants liability

Unrealized gain of derivative warrants liability, which is the change in fair value of derivative warrants liability during the period, is $0.2 million for the year ended June 30, 2021, compared to $Nil for the year ended June 30, 2020.

Foreign exchange loss

Foreign exchange loss increased by $0.2 million compared to the year ended June 30, 2020. Foreign currency gains and losses arise as a result of holding non-Canadian denominated assets and liabilities for the six months ended December 31, 2020, when our functional currency was the Canadian dollar, and holding non-U.S. denominated assets and liabilities for the six months ended June 30, 2021 when our functional currency was the US dollar.

Prior to January 1, 2021, our functional currency was the Canadian dollar and the presentation currency was the U.S. dollar. We reassessed our functional currency during the year and determined that the functional currency changed from the Canadian dollar to the U.S. dollar based on management's analysis of the changes in the primary economic environment in which we operate. The change in functional currency is accounted for prospectively from January 1, 2021 and prior year financial statements have not been restated for the change in functional currency.

Current Assets

The increase in current assets year over year is primarily driven by increases in cash and cash equivalents, as well as prepaids and other assets. As at June 30, 2021, we had prepaids and other assets of $1.0 million, which is comprised primarily of prepaid insurance fees of $0.8 million and deferred financing fees of $0.1 million. As at June 30, 2020, we had prepaids and other assets of $0.4 million, which is comprised primarily of deferred financing fees of $0.1 million and insurance fees of less than $0.1 million.

Liquidity and Capital Resources

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

As of June 30, 2021, we had cash and cash equivalents of $7.4 million.

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

(in thousands)	**Year Ended June 30, 2021**	**Year Ended June 30, 2020**
Net cash used in operating activities	$ (9,791)	$ (7,375)
Net cash provided by investing activities	(2)	3,791
Net cash provided by financing activities	10,855	(31)
Effects of foreign exchange on cash and cash equivalents	495	(416)
Net increase (decrease) in cash and cash equivalents	$ 1,557	$ (4,031)

Operating Activities

During the year ended June 30, 2021, we used cash in operating activities of $9.8 million, primarily resulting from our net loss of $10.2 million combined with $0.5 million used in changes in our non-cash working capital, partially offset primarily by non-cash share-based compensation expenses and financing expenses allocated to warrants. Included in changes in non-cash working capital is $0.2 million of unrealized gain on derivative warrants representing the change in the fair value of derivative warrants liability.

During the year ended June 30, 2020, we used cash in operating activities of $7.4 million, primarily resulting from our net loss of $8.9 million offset primarily by non-cash share-based compensation expenses and changes in our non-cash working capital.

Investing Activities

During the year ended June 30, 2021, we used cash in investing activities of less than $0.1 million, resulting from the purchase of property and equipment.

During the year ended June 30, 2020, investing activities provided $3.8 million, consisting primarily of the net disposition of short-term investments to fund our operating activities.

Financing Activities

During the year ended June 30, 2021, cash provided by financing activities of $10.9 million consisted of $8.0 million of gross proceeds from our initial public offering and $4.5 million of gross proceeds from a private placement of our common shares, offset by total transaction costs of $1.6 million.

During the year ended June 30, 2020, we used cash in financing activities of less than $0.1 million, resulting from transaction costs related to a public offering of our common shares.

Funding Requirements

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

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

Through June 30, 2021, we have funded our operations primarily with proceeds from the sale of common stock. The Company has incurred recurring losses and negative cash flows from operations since its inception, including net losses of $10.2 million and $8.9 million for the year ended June 30, 2021 and 2020, respectively. In addition, the Company had an accumulated deficit of $74.9 million as of June 30, 2021. Our accumulated deficit increased between 2014, when we began focusing on the development of cannabinoid-derived pharmaceuticals following the acquisition of Biogen Science Inc., and June 30, 2021 by approximately $46.0 million and we expect to continue to generate operating losses for the foreseeable future.

On July 2, 2021, we closed a $12.0 million private placement. Under the terms of the private placement, an aggregate of 4,036,327 common shares, or common share equivalents, and warrants to purchase up to an aggregate of 4,036,327 common shares were purchased, at an effective purchase price of $2.973 per common share and associated warrant. The warrants have an exercise price of $2.848 per share, are exercisable immediately and have a term of five years. After deducting the placement agent fees and estimated offering expenses payable by us, we received net proceeds of approximately $11.0 million.

As of the issuance date of the consolidated financial statements, we expect our cash and cash equivalents of $7.4 million as of June 30, 2021, combined with the net proceeds from the July 2, 2021 private placement, will be sufficient to fund our operating expenses and capital expenditure requirements into the second quarter of fiscal 2023. The future viability of the Company beyond that point is dependent on its ability to raise additional capital to finance its operations. In addition, there are a number of uncertainties in estimating our operating expenses and capital expenditure requirements including the impact of potential acquisitions. As a result, we have concluded that there is substantial doubt about our ability to continue as a going concern within one year after the date that the consolidated financial statements are issued.

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

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

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

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

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

Until such time, if ever, as we can generate substantial product revenue, we expect to finance our cash needs through a combination of equity or debt financings and collaboration arrangements. We currently have no credit facility or committed sources of capital. To the extent that we raise additional capital through the future sale of equity securities, the ownership interests of our shareholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our existing common shareholders. If we raise additional funds through the issuance of debt securities, these securities could contain covenants that would restrict our operations. We may require additional capital beyond our currently anticipated amounts, and additional capital may not be available on reasonable terms, or at all. If we raise additional funds through collaboration arrangements or other strategic transactions in the future, we may have to relinquish valuable rights to our technologies, future revenue streams or Product Candidates, or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate development or future commercialization efforts or grant rights to develop and market Product Candidates that we would otherwise prefer to develop and market ourselves. For a further discussion of the risks surrounding the Company's access to capital, please see Item 1A, "Risk Factors" in this Annual Report.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Significant Judgments and Estimates

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

This discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements included as part of this report, which have been prepared in accordance with U.S. GAAP. The preparation of our consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and expenses incurred during the reported periods. We base estimates on our historical experience, known trends and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The full details of our accounting policies are presented in Note 2 of our audited consolidated financial statements for the year ended June 30, 2021. These policies are considered by management to be essential to understanding the processes and reasoning that go into the preparation of our financial statements and the uncertainties that could have a bearing on its financial results. The significant accounting policies that we believe to be most critical in fully understanding and evaluating our financial results are research and development costs and share based payments.

Research & Development and Patents costs:

Research and development and patents costs is a critical accounting estimate due to the magnitude and nature of the assumptions that are required to calculate third-party accrued and prepaid research and development expenses. Research and development costs are charged to expense as incurred and include, but are not limited to, personnel compensation, including salaries and benefits, services provided by CROs that conduct preclinical and clinical studies, costs of filing and prosecuting patent applications, and lab supplies.

The amount of expenses recognized in a period related to service agreements is based on estimates of the work performed using an accrual basis of accounting. These estimates are based on services provided and goods delivered, contractual terms and experience with similar contracts. We monitor these factors and adjust our estimates accordingly.

Share-based payments:

The fair value, at the grant date, of equity share awards is charged to income or loss over the period for which the benefits of employees and others providing similar services are expected to be received, generally the vesting period. The corresponding accrued entitlement is recorded in contributed surplus. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest. The fair value of awards is calculated using the Black-Scholes option pricing model which considers the following factors:

- Exercise price
- Current market price of the underlying shares
- Expected life of the award
- Risk-free interest rate
- Expected volatility
- Dividend yield

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price based on historical volatility, expected dividend yield, forfeiture rates and corporate performance. For employee awards, we use the “simplified method” to determine the expected term of options. Under this method, the expected term represents the average of the vesting period and the contractual term. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates. If we had made different judgments and assumptions than those described previously, the amount of our share-based payments expense, net loss and net loss per common shares amounts could have been materially different.

Derivative financial instruments:

Derivative financial instruments are initially recorded at fair value with subsequent changes in fair value charged (credited) to operations in each reporting period. Derivative warrants liabilities are re-valued each reporting period using the Black-Scholes option pricing model which, similar to equity share awards, considers the factors listed above with the related assumptions and judgements. Changes in these assumptions affect the fair value estimates. If we had made different judgments and assumptions than those used, the amount of our derivative warrants liability and resulting charges to operations, net loss and net loss per common shares amounts could have been materially different. We recorded a derivative warrants liability for the warrants issued in conjunction with our November 2020 public offering of our common shares as the warrants were priced in U.S. dollars while our functional currency was the Canadian dollar. On January 1, 2021, our functional currency changed from the Canadian dollar to the U.S. dollar resulting in a reclassification of the derivative warrants liability to additional paid-in capital.

Contingent Liabilities

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

Going Concern

Through June 30, 2021, we have funded our operations primarily with proceeds from the sale of common shares. We have incurred recurring losses and negative cash flows from operations since our inception, including net losses of $10.2 million and $8.9 million for the year ended June 30, 2021 and 2020, respectively. In addition, we have an accumulated deficit of $74.9 million as of June 30, 2021. Our accumulated deficit increased between 2014, when we began focusing on the development of cannabinoid-derived pharmaceuticals following the acquisition of Biogen Science Inc., and June 30, 2021 by approximately $46.0 million and we expect to continue to generate operating losses for the foreseeable future.

As of the issuance date of the consolidated financial statements, we expect our cash and cash equivalents of $7.4 million as of June 30, 2021, combined with the net proceeds from the $12.0 million July 2, 2021 private placement, will be sufficient to fund our operating expenses and capital expenditure requirements into the second quarter of fiscal 2023. The future viability of the Company beyond that point is dependent on its ability to raise additional capital to finance its operations. In addition, there are a number of uncertainties in estimating our operating expenses and capital expenditure requirements including the impact of potential acquisitions. As a result, we have concluded that there is substantial doubt about our ability to continue as a going concern within one year after the date that the consolidated financial statements are issued.

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

New Standards Applicable in the Reporting Period

Credit losses

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

Fair Value Measurement

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

Collaborative Arrangements

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated Financial Statements of

InMed Pharmaceuticals Inc.

For the Year Ended June 30, 2021

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

InMed Pharmaceuticals Inc.
(Expressed in U.S. Dollars)
June 30, 2021

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors
InMed Pharmaceuticals Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of InMed Pharmaceuticals Inc. (the Company) as of June 30, 2021 and 2020, the related consolidated statements of operations and comprehensive loss, shareholders' equity, and cash flows for each of the years in the two-year period ended June 30, 2021, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the two-year period ended June 30, 2021, in conformity with U.S. generally accepted accounting principles.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has incurred recurring losses and negative cash flows and has an accumulated deficit that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

Chartered Professional Accountants

We have served as the Company's auditor since 2017.

Vancouver, Canada
September 24, 2021

InMed Pharmaceuticals Inc.
CONSOLIDATED BALANCE SHEETS
As at June 30, 2021 and 2020
Expressed in U.S. Dollars

	Note	**June 30, 2021**	June 30, 2020
		$	$
ASSETS			
Current			
Cash and cash equivalents		**7,363,126**	5,805,809
Short-term investments		**46,462**	42,384
Accounts receivable		**11,919**	45,344
Prepaids and other assets		**956,762**	418,920
Total current assets		**8,378,269**	6,312,457
Non-Current			
Property and equipment, net	3	**326,595**	403,485
Intangible assets, net	4	**1,061,697**	1,086,655
Other assets		**14,655**	-
Total Assets		**9,781,216**	7,802,597
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payables and accrued liabilities	5	**2,134,878**	1,607,303
Current portion of lease obligations	9	**80,483**	68,965
Total current liabilities		**2,215,361**	1,676,268
Non-current			
Lease obligations	9	**189,288**	248,011
Total Liabilities		**2,404,649**	1,924,279
Shareholders' Equity			
Common shares, no par value, unlimited authorized shares:			
8,050,707 (June 30, 2020 - 5,220,707) issued and outstanding	7	**60,587,417**	53,065,240
Additional paid-in capital	7, 8	**21,513,051**	17,764,333
Accumulated deficit		**(74,852,470)**	(64,649,381)
Accumulated other comprehensive income (loss)		**128,569**	(301,874)
Total Shareholders' Equity		**7,376,567**	5,878,318
Total Liabilities and Shareholders' Equity		**9,781,216**	7,802,597

Commitments and Contingencies (Note 13)
Subsequent Events (Note 16)

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

InMed Pharmaceuticals Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
For the year ended June 30, 2021 and 2020
Expressed in U.S. Dollars

	Note	Year Ended June 30	
		2021	2020
		$	$
Operating Expenses			
Research and development and patents		**5,338,084**	5,811,266
General and administrative		**4,479,333**	3,227,167
Amortization and depreciation	3, 4	**120,866**	112,429
Total operating expenses		**9,938,283**	9,150,862
Other Income (Loss)			
Interest income		**16,017**	129,526
Finance expense		**(360,350)**	-
Unrealized gain on derivative warrants liability	6	**242,628**	-
Foreign exchange (loss) gain		**(163,101)**	82,187
Net loss for the period		**(10,203,089)**	(8,939,149)
Other Comprehensive Loss			
Foreign currency translation gain (loss)		**430,443**	(419,838)
Total comprehensive loss for the period		**(9,772,646)**	(9,358,987)
Net loss per share for the year			
Basic and diluted	10	**(1.52)**	(1.71)
Weighted average outstanding common shares			
Basic and diluted	10	**6,719,830**	5,220,707

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

InMed Pharmaceuticals Inc.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the year ended June 30, 2021 and 2020
Expressed in U.S. Dollars

	Note	Common Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss) - Foreign Exchange	Total
		#	$	$	$	$	$
Balance June 30, 2019		5,220,707	53,065,240	16,769,932	(55,710,232)	117,964	14,242,904
Loss and comprehensive loss for the period		-	-	-	(8,939,149)	(419,838)	(9,358,987)
Share-based compensation	8	-	-	994,401	-	-	994,401
Balance June 30, 2020		**5,220,707**	**53,065,240**	**17,764,333**	**(64,649,381)**	**(301,874)**	**5,878,318**

	Note	Common Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income - Foreign Exchange	Total
		#	$	$	$	$	$
Balance June 30, 2020		5,220,707	53,065,240	17,764,333	(64,649,381)	(301,874)	5,878,318
Public offering	7	1,780,000	6,052,000	-	-	-	6,052,000
Private placement	7	1,050,000	2,917,157	1,545,343	-	-	4,462,500
Reclassification of warrants	6, 7	-	-	1,763,980	-	-	1,763,980
Share issuance costs	7	-	(1,446,980)	(170,798)	-	-	(1,617,778)
Loss and comprehensive income for the period		-	-	-	(10,203,089)	430,443	(9,772,646)
Share-based compensation	8	-	-	610,193	-	-	610,193
Balance June 30, 2021		**8,050,707**	**60,587,417**	**21,513,051**	**(74,852,470)**	**128,569**	**7,376,567**

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

InMed Pharmaceuticals Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended June 30, 2021 and 2020
Expressed in U.S. Dollars

	Note	**2021**	2020
		$	$
Cash provided by (used in):			
Operating Activities			
Net loss for the period		**(10,203,089)**	(8,939,149)
Items not requiring cash:			
Amortization and depreciation	3, 4	**120,866**	112,429
Share-based compensation	8	**610,193**	994,401
Non-cash lease expense		**107,828**	89,816
Loss on disposal of assets		**555**	2,307
Received interest income on short-term investments		**131**	79,937
Unrealized gain on derivative warrants liability	6	**(242,628)**	-
Unrealized foreign exchange gain		**(445)**	-
Payments on lease obligations		**(93,951)**	(72,522)
Finance expense		**360,350**	-
Changes in non-cash working capital:			
Prepaids and other assets		**(823,172)**	(126,560)
Other non-current assets		**(14,161)**	-
Accounts receivable		**40,198**	17,273
Accounts payable and accrued liabilities		**346,685**	467,392
Total cash used in operating activities		**(9,790,640)**	(7,374,676)
Investing Activities			
Maturity of short-term investments		-	3,876,269
Purchase of short-term investments		-	(43,619)
Proceeds on disposal of property and equipment		-	541
Purchase of property and equipment		**(1,725)**	(42,573)
Total cash (used in) provided by investing activities		**(1,725)**	3,790,618
Financing Activities			
Shares issued for cash	7	**12,472,500**	-
Share issuance costs		**(1,617,778)**	(30,993)
Total cash provided by (used in) financing activities		**10,854,722**	(30,993)
Effects of foreign exchange on cash and cash equivalents		494,960	(416,353)
Increase (decrease) in cash during the period		**1,557,317**	(4,031,404)
Cash and cash equivalents beginning of the period		**5,805,809**	9,837,213
Cash and cash equivalents end of the period		**7,363,126**	5,805,809

See note 12 for Non-Cash Transactions

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

1. NATURE OF BUSINESS AND FUTURE OPERATIONS

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

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

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

Through June 30, 2021, 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 $10.2 million and $8.9 million for the years ended June 30, 2021 and 2020, respectively. In addition, the Company had an accumulated deficit of $74.9 million as of June 30, 2021. 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 $7.4 million as of June 30, 2021, combined with the approximate $11 million of net proceeds from a private placement which closed on July 2, 2021 (see Note 16), will be sufficient to fund its operating expenses and capital expenditure requirements into the second quarter of fiscal 2023. The future viability of the Company beyond that point is dependent on its ability to raise additional capital to finance its operations. As a result, the Company has concluded that there is substantial doubt about its ability to continue as a going concern within one year after the date that the consolidated financial statements are issued.

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

These 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 normal course. These 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.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles as applied in the United States ("US GAAP") and pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC").

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Use of Estimates

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

COVID-19 impacts

On March 11, 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The full extent to which the COVID-19 pandemic may directly or indirectly impact the Company's business, results of operations and financial condition, including expenses, research and development costs and employee-related amounts, will depend on future developments that are evolving and highly uncertain, such as the duration and severity of outbreaks, including potential future waves or cycles, and the effectiveness of actions taken to contain and treat COVID-19. The Company considered the potential impact of COVID-19 when making certain estimates and judgments relating to the preparation of these consolidated financial statements. While there was no material impact to the Company's consolidated financial statements as of and for the year ended June 30, 2021, the Company's future assessment of the magnitude and duration of COVID-19, as well as other factors, could result in a material impact to the Company's consolidated financial statements in future reporting periods.

(c) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries, including inactive subsidiaries: Biogen Sciences Inc., Sweetnam Consulting Inc., and InMed Pharmaceutical Ltd. A subsidiary is an entity that the Company controls, either directly or indirectly, where control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company transactions and balances including unrealized income and expenses arising from intercompany transactions are eliminated in preparing these consolidated financial statements.

d) Foreign Currency

The functional currency of the Company and its subsidiaries is the U.S. Dollar. These consolidated financial statements are presented in U.S. Dollars. References to "$" and "US$" are to United States ("U.S.") dollars and references to "C$" are to Canadian dollars.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) Foreign Currency (cont'd)

Prior to January 1, 2021, the Company's functional currency was the Canadian dollar and its presentation currency was the U.S. dollar. During the year, the Company reassessed its functional currency and determined that its functional currency changed from the Canadian dollar to the U.S. dollar based on management's analysis of the changes in the primary economic environment in which the Company operates. The change in functional currency is accounted for prospectively from January 1, 2021 and prior year financial statements have not been restated for the change in functional currency. As a result of the functional currency change, the Company reclassified the value of the derivative warrants liability to additional paid-in capital (see Note 6).

For periods prior to January 1, 2021, the effects of exchange rate fluctuations on translating foreign currency monetary assets and liabilities into Canadian dollars were included in the statement of operations and comprehensive loss as foreign exchange gain/loss. Revenue and expense transactions were translated into the U.S. dollar reporting currency at the average exchange rate during the period, and assets and liabilities were translated at end of period exchange rates, except for equity transactions, which were translated at historical exchange rates. Translation gains and losses from the application of the U.S. dollar as the reporting currency while the Canadian dollar was the functional currency are included as part of the cumulative foreign currency translation adjustment, which is reported as a component of shareholders' equity under accumulated other comprehensive loss.

For periods commencing January 1, 2021, monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars using exchange rates in effect at the balance sheet date. Opening balances related to non-monetary assets and liabilities are based on prior period translated amounts, and non-monetary assets and non-monetary liabilities incurred after January 1, 2021 are translated at the approximate exchange rate prevailing at the date of the transaction. Revenue and expense transactions are translated at the approximate exchange rate in effect at the time of the transaction. Foreign exchange gains and losses are included in the statement of operations and comprehensive loss as foreign exchange gain (loss).

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash-on-hand, demand deposits with financial institutions and other short-term, highly liquid investments with original maturities of three months or less when acquired that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

(f) Short-term Investments

Short-term investments include fixed and variable rate guaranteed investment certificates, with terms greater than three months and less than twelve months. Guaranteed investment certificates are convertible to known amounts of cash and are subject to an insignificant risk of change in value.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Deferred Financing Costs

The Company capitalizes certain legal, professional accounting and other third-party fees that are directly associated with in-process equity financings as deferred financing costs until such financings are consummated. After consummation of the equity financing, these costs are recorded as a reduction to shareholders' equity generated as a result of the offering. Should the in-process equity financing be abandoned, the deferred financing costs will be expensed immediately as a charge to operating expenses in the consolidated statements of operations and comprehensive loss. As of June 30, 2021, $112,074 of deferred financing costs were capitalized and recorded as other assets on the consolidated balance sheet (2020 - $290,688).

(h) Property and Equipment, Net

Equipment and leasehold improvements are recorded at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of equipment and leasehold improvements comprises their purchase price. The useful lives of equipment and leasehold improvements are reviewed at least once per year. Equipment and leasehold improvements are depreciated using the straight-line method based on their estimated useful lives as follows:

- Computer equipment – 30% per annum
- Leasehold improvements – lesser of initial lease term or useful life

Equipment and leasehold improvements, acquired or disposed of during the year, are depreciated proportionately for the period they are in use.

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 (see Note 2t(i)).

(i) Leases

Arrangements are assessed upon inception to determine if it is a lease. To the extent it is determine that an arrangement represents a lease, it is classified as either an operating lease or a finance lease. Operating leases are capitalized on the consolidated balance sheet through a right-of-use ("ROU") asset and a corresponding lease liability. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent an obligation to make lease payments arising from the lease.

(j) Intangible Assets, Net

Intangible assets are comprised of acquired intellectual property, which consists of certain patents and technical know-how. The intellectual property is recorded at cost and is amortized on a straight-line basis over an estimated useful life of 18 years net of any accumulated impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Impairment of Long-Lived Assets

The Company assesses the recoverability of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset or assets. If carrying value exceeds the sum of undiscounted cash flows, the Company then determines the fair value of the underlying asset. Any impairment to be recognized is measured as the amount by which the carrying amount of the asset group exceeds the estimated fair value of the asset group. Assets classified as held for sale are reported at the lower of the carrying amount or fair value, less costs to sell. As of June 30, 2021 and 2020, the Company determined that there were no impaired assets and no assets were held-for-sale.

(l) Financial Assets and Liabilities

Financial Assets

Financial assets are initially recognized at fair value, plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. No financial assets are or elected to be carried at fair value through profit or loss or where changes in fair value are recognized in the consolidated statements of operations and comprehensive loss in other comprehensive loss.

Cash and cash equivalents are subsequently recognized at amortized cost, which approximates fair value. Short-term investments are subsequently recorded at cost plus accrued interest, which approximates fair value. Accounts receivable are reported at outstanding amounts, net of provisions for uncollectable amounts.

The Company evaluates the recoverability of accounts receivable on a regular basis based upon various factors including payment history and collection experience on other accounts or events expected to affect future collections experience. Expected credit losses on our accounts receivable were immaterial as at June 30, 2021 and 2020.

Financial Liabilities

Financial liabilities, including accounts payable and accrued liabilities, are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated balance sheet. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

To determine the fair value of financial instruments, the Company uses the fair value hierarchy for inputs used to measure fair value of financial assets and liabilities. This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels: Level 1 (highest priority), Level 2, and Level 3 (lowest priority).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Financial Assets and Liabilities (cont'd)

Level 1 - Unadjusted quoted prices in active markets for identical instruments.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 - Inputs are unobservable and reflect the Company's assumptions as to what market participants would use in pricing the asset or liability. The Company develops these inputs based on the best information available. Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurements. Changes in the observability of valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy.

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

The carrying value of cash and cash equivalents, short-term investments, accounts receivable, and accounts payable and accrued liabilities, approximate their carrying values as at June 30, 2021 and 2020 due to their immediate or short-term maturities.

(m) Income Taxes

The Company records a provision for income taxes for the anticipated tax consequences of the reported results of operations using the asset and liability method. Under this method, it recognizes deferred income tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using the enacted tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. The Company recognizes the deferred income tax effects of a change in tax rates in the period of the enactment. The Company records a valuation allowance to reduce its deferred tax assets to the net amount that management believes is more likely than not to be realized. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than fifty percent likely of being realized. The Company records interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Earnings (Loss) Per Share

Basic earnings (loss) per common share ("EPS") is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period. Diluted earnings (loss) per common share ("Diluted EPS") is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. If the conversion of outstanding stock options and warrants into common share is anti-dilutive, then diluted EPS is not presented separately from EPS. Diluted EPS for year-to-date (including annual) periods is based upon the weighted average of the incremental shares included in each interim period for the year-to-date period.

(o) Share-based Payments

The fair value, at the grant date, of equity-classified share awards is charged to income or loss over the period for which the benefits of employees and others providing similar services are expected to be received. The vesting components of graded vesting employee awards are measured separately and expensed over the related tranche's vesting period. The corresponding accrued entitlement is recorded in additional paid-in capital. The amount recognized as an expense is adjusted to reflect the number of share options that vest. The fair value of awards is calculated using the Black-Scholes option pricing model which considers the exercise price, current market price of the underlying shares, expected life of the award, risk-free interest rate, expected volatility and the dividend yield.

Starting July 1, 2018, the Company accounts for non-employee awards under the guidance provided under ASU 2018-07 and uses an expected term to value non-employee options on an award-by-award basis.

The expected term of the Company's employee stock options is determined using the simplified method and the Company estimates the forfeitures on the grant date for options issued. The expected term of the Company's non-employee stock options is the contractual term of the options granted and the Company estimates the forfeitures on the grant date for options issued.

(p) Research and Development Costs

The Company conducts research and development programs and incurs costs related to these activities, including research and development personnel compensation, services provided by contract research organizations and lab supplies. Research and development costs, net of contractual reimbursements from development partners, are expensed in the periods in which they are incurred.

(q) Patents and Intellectual Property Costs

The costs of filing for patents and of prosecuting and maintaining intellectual property rights are expensed as incurred due to the uncertainty surrounding the drug development process and the uncertainty of future benefits. Patents and intellectual property acquired from third parties for approved products or where there are alternative future uses are capitalized and amortized over the remaining life of the patent.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Government Grants

Research grants are recognized as a recovery of related expenditures in the consolidated statement of operations and comprehensive loss when there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. For research related grants, the Company only recognizes grant proceeds when the proceeds have been spent on research expenses. Grant amounts received in advance are recorded as deferred grant proceeds.

(s) Segment reporting

The Company's operations consist of one operating segment related to the biopharmaceutical research and development of novel, cannabinoid-based therapies and a biosynthesis system for the manufacturing of pharmaceutical-grade cannabinoids.

(t) Leases

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 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 lease arrangements that include both lease and non-lease components. The Company accounts for each separate lease component and its associated non-lease components as a single lease component for all of its asset classes.

The Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under Topic 840 Leases. The Company applied the definition of a lease under Topic 842 Leases to contracts effective for periods on or after July 1, 2019.

The Company has elected to apply the practical expedient to exclude initial direct costs such as annual operating costs from the measurement of the right-of-use asset at the date of initial application. 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. The lease payments associated with these leases is recognized as an expense on a straight- line basis over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Leases (cont'd)

On commencement of the lease for its new office premises on July 1, 2019, the Company recognized right-of-use assets of $434,660, a reduction of prepaids and advances of $48,827 and a lease liability of $385,057. 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.

(u) Financial Instruments with Characteristics of Liabilities and Equity

In July 2017, the FASB issued ASU 2017–11, *Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Non-controlling interests with a Scope Exception*. The ASU was issued to address the complexity associated with applying U.S. GAAP for certain financial instruments with characteristics of liabilities and equity.

The ASU, among other things, eliminates the need to consider the effects of down round features when analyzing convertible debt, warrants and other financing instruments. As a result, a freestanding equity-linked financial instrument (or embedded conversion option) no longer would be accounted for as a derivative liability at fair value as a result of the existence of a down round feature. The amendments are effective for fiscal years beginning after December 15, 2018, and should be applied retrospectively. The adoption of this standard had no impact on the Company's consolidated financial statements.

(v) Derivative financial instruments

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

(w) New Standards Applicable in the Reporting Period

i) Credit losses

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(w) New Standards Applicable in the Reporting Period (cont'd)

ii) Fair Value Measurement

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

iii) Collaborative Arrangements

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

3. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following:

	June 30, 2021	June 30, 2020
	$	$
Right of Use Asset (lease)	**439,321**	417,405
Equipment	**66,888**	62,853
Leasehold Improvements	**42,986**	40,160
Property and equipment	**549,195**	520,418
Less: accumulated depreciation	**(222,600)**	(116,933)
Property and equipment, net	**326,595**	403,485

Depreciation expense on property, equipment and leasehold improvements for the year ended June 30, 2021 was $21,143 (2020 - $95,504). Depreciation expense related to the Right-of-Use Asset for the year ended June 30, 2021 was $76,165 (2020 - $70,661) and was recorded in general and administrative expenses.

4. INTANGIBLE ASSETS, NET

Intangible assets consist of:

	June 30, 2021	June 30, 2020
	$	$
Intellectual property	**1,736,420**	1,622,255
Less: accumulated amortization	**(674,723)**	(535,600)
Intangible assets, net	**1,061,697**	1,086,655

The acquired intellectual property is recorded at cost and is amortized on a straight-line basis over an estimated useful life of 18 years net of any accumulated impairment losses. As at June 30, 2021, the acquired intellectual property had an estimated remaining useful life of approximately 11 years.

Amortization expense on intangible assets for the year ended June 30, 2021 was $99,723 (2020- $87,586). Based upon the intangible assets held as at June 30, 2021, the Company expects amortization expense to be incurred over the next five years as follows:

	$
2022	96,468
2023	96,468
2024	96,468
2025	96,468
2026	96,468
	482,340

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	June 30, 2021	June 30, 2020
	$	$
Trade payables	**775,129**	706,516
Accrued research and development expenses	**309,901**	193,119
Employee compensation, benefits and related accruals	**880,207**	536,231
Accrued general and administrative expenses	**169,641**	171,437
Accounts payable and accrued liabilities	**2,134,878**	1,607,303

6. DERIVATIVE WARRANTS LIABILITY

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

At inception, the derivative is measured, using the Black-Scholes pricing model, at fair value with subsequent changes in fair value recognized in unrealized gain or loss on derivative warrants liability.

On January 1, 2021, the Company's functional currency changed from the Canadian dollar to the U.S. dollar. As a result of the change in functional currency, the Company re-evaluated the treatment of the derivative warrants liability and determined it should be classified as an equity instrument. The Company reclassified the value of the derivative warrants liability at January 1, 2021 to additional paid-in capital.

The reconciliation of changes in fair value for the year ended June 30, 2021 is presented in the following table:

	Year ended June 30, 2021
	$
Derivative warrants liability, July 1, 2020	**-**
Fair value of warrants issued	**1,958,000**
Unrealized gain included in net loss	**(242,628)**
Translation effect	**48,608**
Derivative warrants liability, December 31, 2020	**1,763,980**
Reclassification upon change of functional currency	**(1,763,980)**
Derivative warrants liability, June 30, 2021	**-**

7. SHARE CAPITAL AND RESERVES

a) Authorized

As at June 30, 2021, the Company's authorized share structure consisted of: (i) an unlimited number of common shares without par value; and (ii) an unlimited number of preferred shares without par value. No preferred shares were issued and outstanding as at June 30, 2021 and 2020.

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

7. SHARE CAPITAL AND RESERVES (cont'd)

b) Common Shares

During the year ended June 30, 2021, the Company completed the following:

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

Transaction Description	Number	Issue Price	Total
Private placement	1,050,000	$ 4.25	$ 4,462,500
Allocated to Additional Paid-in Capital			(1,545,343)
			2,917,157
Share issuance costs	-	$ -	$ (337,852)

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

On February 12, 2021, the Company closed a private placement of its common shares and issued an aggregate of 1,050,000 common shares, together with accompanying warrants, for gross proceeds of $4,462,500. Each common share was sold in the offering with a warrant to purchase 0.66 of a common share. Transaction costs were allocated proportionally between common shares and additional paid-in capital with $337,852 allocated to common shares and the balance of $170,798 allocated to additional paid-in capital and both charged to shareholders' equity.

c) Share Purchase Warrants

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

On November 16, 2020, 1,780,000 warrants were issued with an exercise price of $5.11 per share, were immediately exercisable upon issuance, and expire 6 years following the date of issuance.

On February 12, 2021, 693,000 warrants were issued with an exercise price of $4.85 per share, are exercisable 6 months following issuance, and expire 5.5 years following the date of issuance.

7. SHARE CAPITAL AND RESERVES (cont'd)

d) Share Purchase Warrants (cont'd)

The following is a summary of changes in share purchase warrants from July 1, 2019 to June 30, 2021:

	Number	Weighted Average Share Price	Weighted Average Share Price	Aggregate Intrinsic Value	Aggregate Intrinsic Value
	#	C$	US$	C$	US$
Balance as at June 30, 2019	910,297	$ 41.25	$ 31.52	-	-
Expired	(910,297)	$ 41.25	$ 31.52		
Balance as at June 30, 2020	-	-	-	-	-
Granted	2,473,000	-	$ 5.04	-	-
Balance as at June 30, 2021	2,473,000	-	$ 5.04	-	-

e) Agents' Warrants

There are no agents' warrants outstanding at June 30, 2021 and 2020.

8. SHARE-BASED PAYMENTS

a) Option Plan Details

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

As at June 30, 2021, there were 493,387 (June 30, 2020 – 455,507) options available for future allocation pursuant to the terms of the Plan. The option price under each option shall be not be less than the closing price on the day prior to the date of grant. All options vest upon terms as set by the Board of Directors, either over time, typically 12 to 36 months, or upon the achievement of certain corporate milestones.

Stock options granted prior to May 2021 were granted with Canadian dollar exercise prices (United States dollar amounts for weighted average exercise prices and aggregate intrinsic value are calculated using prevailing rates as at June 30, 2021). Commencing in May 2021, stock options are granted with United States dollar exercise prices.

8. SHARE-BASED PAYMENTS (cont'd)

a) Option Plan Details (cont'd)

The following is a summary of changes in outstanding options from July 1, 2020 to June 30, 2021:

	Number	Weighted Average Exercise Price $
Balance as at June 30, 2019	599,090	13.48
Granted	52,728	6.44
Expired/Forfeited	(63,183)	27.43
Balance as at June 30, 2020	588,635	10.81
Granted	361,250	3.08
Expired/Forfeited	(37,879)	6.61
Balance as at June 30, 2021	**912,006**	8.61

b) Fair Value of Options Issued During the Period

i) The weighted average fair value at grant date of options granted during the year ended June 30, 2021 was $1.96 per option (year ended June 30, 2020 - C$6.08). Assumptions used for options granted during the year ended June 30, 2021 included a weighted average risk-free interest rate of 0.27% (year ended June 30, 2020 – 1.51%), weighted average expected life of 3.2 years calculated using the Simplified Method for directors, officers and employees and the contractual life for consultants (year ended June 30, 2020 – 3.3 years), weighted average volatility factor of 105.88% (year ended June 30, 2020 – 110.08%), weighted average dividend yield of 0% (year ended June 30, 2020 – 0%) and a 5% forfeiture rate (year ended June 30, 2020 – 5%).

ii) Expenses Arising from Share-based Payment Transactions

Total expenses arising from share-based payment transactions recognized during the year ended June 30, 2021 were $610,193 (2020 - $994,401). $405,801 was allocated to general and administrative expenses (2020 - $499,326) and the remaining $204,392 was allocated to research and development expenses (2020 - $495,075). Unrecognized compensation cost at June 30, 2021 related to unvested options was $371,777 which will be recognized over a weighted-average vesting period of 1.5 years.

9. LEASE OBLIGATIONS

On commencement of the lease for the Company's new offices premises on July 1, 2019, the Company recognized right-of-use assets of $434,660 and a lease liability of $385,057 with no net impact on accumulated deficit.

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

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

9. LEASE OBLIGATIONS (cont'd)

The Company is committed to minimum lease payments as follows:

Maturity Analysis	June 30, 2021
Less than one year	**$ 98,729**
One to five years	**213,713**
More than five years	**-**
Total undiscounted lease liabilities	**$ 312,442**(1)

(1) Excludes estimated variable operating costs of $63,334 on an annual basis through to August 31, 2024.

10. BASIC AND DILUTED LOSS PER SHARE

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

	2021	2020
	$	$
Net loss for the period	**(10,203,089)**	(8,939,149)
Basic and diluted loss per share	**(1.52)**	(1.71)
Weighted average number of common shares - basic and diluted	**6,719,830**	5,220,707

11. INCOME TAXES

The following is a reconciliation of income taxes calculated at the combined Canadian federal and provincial income statutory corporate tax rate of 27.0% (June 30, 2020 – 27.0%) to the tax expense:

	2021	2020
	$	$
Net loss before taxes	**(10,203,089)**	(8,939,149)
Income tax expense (recovery) at the statutory rate	**(2,754,834)**	(2,413,570)
Increase (reduction) in income taxes resulting from:		
Change in valuation allowance	**4,109,545**	1,751,714
Permanent differences	**99,490**	268,733
Foreign exchange differences	**(1,074,000)**	371,000
Share issuance cost capitalized in equity	**(390,685)**	-
Other	**10,484**	22,123
Income tax expense (recovery)	**-**	-

11. INCOME TAXES (cont'd)

Deferred tax assets and liabilities are as follows:

	2021	2020
	$	$
Non-capital losses	**13,742,381**	9,836,706
Property and equipment, net	**1,004**	-
Financing costs	**434,399**	244,095
Lease liability	**51,108**	66,963
	14,228,892	10,147,764
Intangible assets, net	**(181,845)**	(192,987)
Property and equipment, net	**-**	(971)
Lease obligations	**(77,612)**	(93,916)
	(259,457)	(287,874)
Net deferred tax asset	**13,969,435**	9,859,890
Valuation allowance	**(13,969,435)**	(9,859,890)
	-	-

A full valuation allowance has been applied against the net deferred tax assets because it is not more likely than not that future taxable income will be available against which the Company can utilize the benefits therefrom.

As at June 30, 2021, the Company has non-capital loss carry-forwards of approximately $50,897,706 (June 30, 2020 - $36,432,246) available to offset future taxable income in Canada. These non-capital loss carryforwards begin to expire in 2026.

12. NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statements of cash flows. During the year ended June 30, 2021, the following transaction was excluded from the statement of cash flows:

i) As at June 30, 2021, the Company has unpaid financing costs of $112,075.

During the year ended June 30, 2020, the following transaction was excluded from the statement of cash flows:

ii) On January 14, 2019, the Company executed a lease for new office premises (see Note 9). On commencement of the lease, the Company recognized right-of-use assets of $434,660 and a lease liability of $385,057.

13. COMMITMENTS AND CONTINGENCIES

Pursuant to the terms of agreements with various contract research organizations, as at June 30, 2021, the Company is committed for contract research services and materials at a cost of approximately $3,989,619. A total of $3,498,228 of these expenditures are expected to occur in the twelve months following June 30, 2021 and the balance of $491,391 in the following twelve-month period.

13. COMMITMENTS AND CONTINGENCIES (cont'd)

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

Pursuant to the terms of a December 13, 2018 Collaborative Research Agreement with UBC in which the Company owns all right, title and interest in and to any intellectual property, in addition to funding research at UBC, the Company is committed to make a one-time payment upon filing of any PCT patent application arising from the research. To date, no payments have been required to be made.

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

Short-term investments include guaranteed investment certificates with a face value of $46,391 (June 30, 2020 - $42,193) that are pledged as security for a corporate credit card.

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

In July 2020, in connection with the IPO of our common shares, two inadvertent disclosures of already 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. If either of the two inadvertent disclosures are determined by a court to be a violation by the Company of the Securities Act of 1933, the recipients of the inadvertent disclosures who purchased our common shares in the IPO may have a rescission right, which could require the Company to repurchase those shares at their original purchase price with interest or a claim for damages if the purchaser no longer owns the securities, for one year following the date of the violation. The Company could also incur considerable expense if it were to contest any such claims. Consequently, a contingent liability may arise out of this possible violation of the Securities Act of 1933. The likelihood and magnitude of this contingent liability, if any, is not determinable at this time.

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

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

14. FINANCIAL RISK MANAGEMENT

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

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

The following table summarizes the fair values and carrying values of the Company's financial instruments at June 30, 2021 and 2020:

June 30, 2021	**Level 1**	**Level 2**	**Total**
Financial assets			
Cash and cash equivalents	7,363,126	-	7,363,126
Short-term investments	-	46,462	46,462
Accounts receivable	-	11,919	11,919
Total financial assets	7,363,126	58,381	7,421,507
Financial liabilities			
Accounts payable and accrued			
Liabilities	-	2,134,878	2,134,878
Total financial liabilities	-	2,134,878	2,134,878

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

14. FINANCIAL RISK MANAGEMENT (cont'd)

a) Market Risk:

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

Foreign Currency Risk:

Foreign currency risk is the risk that the future cash flows or fair value of the Company's financial instruments that are denominated in a currency that is not the Company's functional currency (U.S. dollar) 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 Canadian dollars.

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

As at June 30, 2021, the Company has a net excess of Canadian dollar denominated cash and cash equivalents in excess of Canadian dollar denominated accounts payable and accrued liabilities of C$1,532,950 which is equivalent to US$1,236,784 at the June 30, 2021 exchange rate. The Canadian dollar financial assets generally result from holding Canadian dollar cash to settle anticipated near-term accounts payable and accrued liabilities denominated in Canadian dollars. The Canadian dollar financial liabilities generally result from purchases of supplies and services from suppliers in Canada.

Each change of 1% in the Canadian dollar in relation to the U.S. dollar results in a gain or loss, with a corresponding effect on cash flows, of $12,368 based on the June 30, 2021 net Canadian dollar assets (liabilities) position. During the year ended June 30, 2021, the Company recorded foreign exchange gain of $80,713 (June 30, 2020 – $Nil) related to Canadian dollars.

As at June 30, 2021, the Company has a net excess of Euros denominated accounts payable and accrued liabilities in excess of Euros denominated cash and cash equivalents of €142,637 which is equivalent to US$169,153 at the June 30, 2021 exchange rate. The Euros financial assets generally result from holding Euro denominated account holdings to settle anticipated near-term accounts payable and accrued liabilities denominated in Euros. The Euros financial liabilities generally result from purchases of supplies and services from suppliers from outside of Canada.

Each change of 1% in the Euro in relation to the U.S. dollar results in a gain or loss, with a corresponding effect on cash flows, of $1,692 based on the June 30, 2021 net Euro assets (liabilities) position. During the year ended June 30, 2021, the Company recorded a foreign exchange gain of $27,428 (June 30, 2020 – $36,275) related to Euros.

14. FINANCIAL RISK MANAGEMENT (cont'd)

a) Market Risk (cont'd):

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, 2021, holdings of cash and cash equivalents of $7,053,329 (June 30, 2020 - $4,307,407) are subject to floating interest rates. The balance of the Company's cash holdings of $309,796 (June 30, 2020 - $1,498,402) are non-interest bearing.

As at June 30, 2021, the Company held variable rate guaranteed investment certificates, with one-year terms, with face value of $46,391 (June 30, 2020 - $42,193).

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

The Company, as at June 30, 2021, does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents and short-term investments held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

b) Credit Risk:

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

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

c) Liquidity Risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it has sufficient cash to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. A key risk in managing liquidity is the degree of uncertainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases. As at June 30, 2021, the Company has cash and cash equivalents and short-term investments of $7,409,588 (June 30, 2020 - $5,848,193), current liabilities of $2,215,361 (June 30, 2020 - $1,676,268) and a working capital surplus of $6,162,908 (June 30, 2020 - $4,636,189).

15. TRANSACTIONS WITH RELATED PARTIES

The Company did not enter into any transactions with related parties during the year ended June 30, 2021 and 2020.

16. SUBSEQUENT EVENTS

On July 2, 2021, the Company announced it had closed a $12 million private placement. Under the terms of the private placement, an aggregate of 4,036,327 common shares, or common share equivalents, and warrants to purchase up to an aggregate of 4,036,327 common shares were purchased, at an effective purchase price of $2.973 per common share and associated warrant. The warrants have an exercise price of $2.848 per share, are exercisable immediately and have a term of five years. After deducting the placement agent fees and estimated offering expenses payable by the Company, the Company received net proceeds of approximately $11 million.

On September 13, 2021, the Company announced that it has entered into a definitive agreement (“Definitive Agreement”) to acquire BayMedica Inc., a private company based in the U.S. that specializes in the manufacturing and commercialization of rare cannabinoids. The Definitive Agreement follows a previously signed letter of intent announced on June 29, 2021. Closing of the transaction is subject to certain standard closing conditions.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2021. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to its management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2021, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures were not effective.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. 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.

Our management assessed the effectiveness of our internal control over financial reporting as of June 30, 2021. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework (2013). Based on this evaluation, management has concluded our internal control over financial reporting at June 30, 2021 was not effective due to the material weakness in the Company's internal control over financial reporting as disclosed below.

Notwithstanding the identified material weakness, our Chief Executive Officer and our Chief Financial Officer believe the consolidated financial statements included in this Annual Report on Form 10-K fairly represent in all material respects our financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. GAAP.

Ongoing Remediation of Previously Reported Material Weakness

In connection with the audits of our consolidated financial statements as of and for the years ended June 30, 2020 and 2019, our management previously identified 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 the consolidated financial statements as of June 30, 2021, there were material audit adjustments required in relation to the overstatement of the valuation of warrants issued as part of the Company's financing efforts which were outside of, and/or in addition to, its regular reporting cycle. The presence of these adjustments is indicative of failures in design and effectiveness of internal controls. The identified material weakness has not been remediated as of June 30, 2021.

We have taken significant measures, and plan to continue to take measures, to remediate this material weakness. Management has implemented a remediation plan to address the root causes which contributed to the material weakness and is committed to a strong Internal Control over Financial Reporting (ICFR) environment. The remediation plan includes increasing our in-house personnel and/or expertise and implementing and adopting additional controls and procedures to remediate the material weakness.

While we have commenced implementing the remediation plan and made enhancements to our control procedures in this area, certain remediation steps were delayed including the hiring of in-house personnel which was not fully implemented until July 2021. As a result, our remediation efforts, as of June 30, 2021, remain in progress but are anticipated to be fully implemented during the second half of calendar 2021.

Changes in Internal Control over Financial Reporting

Other than the actions we are taking to remediate the material weakness described above, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the year ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable

PART III

The information required by Part III is omitted from this report because we will file a definitive proxy statement within 120 days after the end of our 2021 fiscal year pursuant to Regulation 14A for our 2021 Annual Meeting of Stockholders, or the 2021 Proxy Statement, will be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended. If the 2021 Proxy Statement is not filed within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, the omitted information will be included in an amendment to this Annual Report on Form 10-K filed not later than the end of such 120-day period.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The response to this item is incorporated by reference from the discussion responsive thereto under the captions “Management and Corporate Governance,” “Section 16(a) Beneficial Ownership Reporting Compliance,” and “Code of Business Conduct and Ethics” in the Company’s Proxy Statement for the 2021 Annual Meeting of Stockholders.

ITEM 11. EXECUTIVE COMPENSATION

The response to this item is incorporated by reference from the discussion responsive thereto under the caption “Executive Officer and Director Compensation” in the Company’s Proxy Statement for the 2021 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The response to this item is incorporated by reference from the discussion responsive thereto under the captions “Security Ownership of Certain Beneficial Owners and Management,” and “Equity Compensation Plan Information” in the Company’s Proxy Statement for the 2021 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The response to this item is incorporated by reference from the discussion responsive thereto under the captions “Certain Relationships and Related Person Transactions” and “Management and Corporate Governance” in the Company’s Proxy Statement for the 2021 Annual Meeting of Stockholders.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The response to this item is incorporated by reference from the discussion responsive thereto under the caption “Independent Registered Public Accounting Firm” in the Company’s Proxy Statement for the 2021 Annual Meeting of Stockholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are being filed as part of this report:

(1) The following financial statements of the Company and the report of KPMG LLP are included in Part II, Item 8: Reports of Independent Registered Public Accounting Firms

Consolidated Balance Sheets
Consolidated Statements of Operations and Comprehensive Loss
Consolidated Statements of Stockholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements

(2) All financial statement supporting schedules are omitted because the information is inapplicable or presented in the Notes to Consolidated Financial Statements.

(3) A list of exhibits filed with this report or incorporated herein by reference is found in the Exhibit Index immediately following the signature page of this Annual Report.

Exhibit No.	Description of Exhibit
2.1*^	Agreement and Plan of Reorganization, dated as of September 10, 2021, by and among InMed Pharmaceuticals Inc., InMed LLC, BayMedica, Inc., BM REP, LLC, as the stockholder representative, and certain stockholders thereto.
3.1	Amended and Restated Articles of InMed Pharmaceuticals Inc. (incorporated by reference to Exhibit 3.1 to the Company's Form S-1 filed on June 19, 2020).
4.1	Form of Specific Common Share Certificate (incorporated by reference to Exhibit 4.3 to the Company's Form S-1 filed on July 13, 2021).
4.2	Form of Common Shares Purchase Warrant (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on November 12, 2020).
4.3	Form of Common Shares Purchase Warrant (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on February 5, 2021).
4.4	Form of Series A Warrant (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on June 30, 2021).
4.5	Form of Pre-Funded Warrants (incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed on June 30, 2021).
4.6*	Form of Series A Warrant (to be issued pursuant to the Agreement and Plan of Reorganization, dated as of September 10, 2021, by and among InMed Pharmaceuticals Inc., InMed LLC, BayMedica, Inc., BM REP, LLC, as the stockholder representative, and certain stockholders thereto).
4.7*	Form of Series B Warrant (to be issued pursuant to the Agreement and Plan of Reorganization, dated as of September 10, 2021, by and among InMed Pharmaceuticals Inc., InMed LLC, BayMedica, Inc., BM REP, LLC, as the stockholder representative, and certain stockholders thereto).
4.8	Description of Securities of InMed Pharmaceuticals Inc. (incorporated by reference to the Company's Form 8-A filed on November 5, 2020)
10.1†	InMed Pharmaceuticals Inc. 2017 Amended and Restated Stock Option Plan, as amended (incorporated by reference to Exhibit 4.2 to the Company's Form S-8 filed on March 5, 2021).
10.2†	Form of Stock Option Agreement pursuant to the InMed Pharmaceuticals Inc. 2017 Amended and Restated Stock Option Plan (incorporated by reference to Exhibit 4.3 to the Company's Form S-8 filed on March 5, 2021).
10.3	Registration Rights Agreement, dated February 5, 2021, between InMed Pharmaceuticals Inc. and several purchasers hereto (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on February 5, 2021).

10.4	Registration Rights Agreement, dated June 28, 2021, between InMed Pharmaceuticals Inc. and several purchasers hereto (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 28, 2021).
10.5†	Amended and Restated Executive Employment Agreement, dated March 1, 2021, between Eric A. Adams and InMed Pharmaceuticals Inc. (incorporated by reference to Exhibit 10.3 to the Company's Form S-1 filed on July 13, 2021).
10.6†	Amended and Restated Executive Employment Agreement, dated March 1, 2021, between Eric Hsu and InMed Pharmaceuticals Inc. (incorporated by reference to Exhibit 10.4 to the Company's Form S-1 filed on July 13, 2021).
10.7†	Amended and Restated Executive Employment Agreement, dated March 1, 2021, between Alexandra Mancini and InMed Pharmaceuticals Inc. (incorporated by reference to Exhibit 10.5 to the Company's Form S-1 filed on July 13, 2021).
10.8†	Amended and Restated Executive Employment Agreement, dated March 1, 2021, between Michael Woudenberg and InMed Pharmaceuticals Inc. (incorporated by reference to Exhibit 10.6 to the Company's Form S-1 filed on July 13, 2021).
10.9†	Amended and Restated Executive Employment Agreement, dated March 1, 2021, between Bruce S. Colwill and InMed Pharmaceuticals Inc. (incorporated by reference to Exhibit 10.7 to the Company's Form S-1 filed on July 13, 2021).
10.10†*	Form of InMed Pharmaceuticals Inc. Indemnification Agreement entered into with each member of the board of directors and Chief Financial Officer.
10.11	Office Premises Lease, dated January 14, 2019, between InMed Pharmaceuticals Inc. and 815 West Hastings Ltd. (incorporated by reference to Exhibit 10.8 to the Company's Form S-1 filed on June 19, 2020).
21.1*	Subsidiaries of InMed Pharmaceuticals Inc.
23.1*	Consent of KPMG LLP, independent registered public accounting firm
24.1	Powers of Attorney (incorporated by reference to the signature page hereto)
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended.
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	Inline XBRL Interactive Data File
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document and included as Exhibit 101)

† Indicates exhibits that constitute management contracts or compensation plans or arrangements.
* Filed herewith.
** Furnished herewith.

^ Portions of this exhibit have been omitted pursuant to Rule 601(b)(10) of Regulation S-K.

ITEM 16. 10-K SUMMARY

Not applicable.

SIGNATURES

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

INMED PHARMACEUTICALS INC.
(Registrant)

September 24, 2021

By: /s/ Eric A. Adams
Eric Adams
President and Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Eric A. Adams and Bruce Colwill, and each of them, either of whom may act without the joinder of the other, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any or all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and all documents in connection therewith, with the SEC, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or their substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Eric A. Adams **Eric A. Adams**	President, Chief Executive Officer and Director (Principal Executive Officer)	September 24, 2021
/s/ Bruce Colwill **Bruce Colwill**	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	September 24, 2021
/s/ William J. Garner **William J. Garner**	Director (Chairman to the Board of Directors)	September 24, 2021
/s/ Catherine A. Sazdanoff **Catherine Sazdanoff**	Director	September 24, 2021
/s/ Adam Cutler **Adam Cutler**	Director	September 24, 2021
/s/ Andrew Hull **Andrew Hull**	Director	September 24, 2021

Exhibit 2.1

AGREEMENT AND PLAN OF REORGANIZATION

among

INMED PHARMACEUTICALS INC.,

INMED LLC,

BAYMEDICA, INC.,

The Stockholders and Founders listed on the signature pages hereto,

and

BM REP, LLC

dated as of

September 10, 2021

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Exhibit H – Form of Debt Conversion Agreement

AGREEMENT AND PLAN OF REORGANIZATION

This Agreement and Plan of Reorganization (this "**Agreement**"), dated as of September 10, 2021, is entered into among InMed Pharmaceuticals Inc., a British Columbia, Canada corporation ("**Parent**"), InMed LLC, a Delaware limited liability company and indirect wholly owned subsidiary of Parent ("**Merger Sub**"), BayMedica, Inc., a Nevada corporation ("**Company**"), BM REP, LLC, a Nevada limited liability company, solely in its capacity as Stockholder Representative ("**Stockholder Representative**"), Philip J. Barr, The Shane A. Johnson Trust DTD April 18, 1997, as amended, Shane A. Johnson TTEE, Shane A. Johnson, Charles K. Marlowe, and the other Stockholders listed on the signature pages hereto.

RECITALS

WHEREAS, the parties intend that the Company be merged with and into Merger Sub, with Merger Sub surviving that merger on the terms and subject to the conditions set forth herein (the "**Merger**");

WHEREAS, the board of directors of the Company (the "**Company Board**") has unanimously (a) determined that this Agreement and the transactions contemplated hereby, including the Merger, are in the best interests of the Company and its stockholders, (b) approved and declared advisable this Agreement and the transactions contemplated hereby, including the Merger, and (c) resolved to recommend adoption of this Agreement by the stockholders of the Company in accordance with Chapters 78 and 92A of the Nevada Revised Statutes;

WHEREAS, the Company has obtained all necessary stockholder approval of this Agreement, the Merger and the transactions contemplated hereby;

WHEREAS, the respective boards of directors of Parent and Merger Sub have unanimously (a) determined that this Agreement and the transactions contemplated hereby, including the Merger, are in the best interests of Parent, Merger Sub and their respective stockholders, and (b) approved and declared advisable this Agreement and the transactions contemplated hereby, including the Merger;

WHEREAS, each Convertible Note Holder has executed or is otherwise bound by that certain Amendment to Convertible Notes in the form attached hereto as Exhibit A (the "**Convertible Note Amendment**");

WHEREAS, the holders of all outstanding Convertible Notes have or will have agreed or will otherwise be bound, contingent on Closing, to convert their respective Convertible Notes into shares of Company Note Conversion Common Stock immediately prior to the Closing pursuant to the terms of the Debt Conversion Agreement in the form of Exhibit H attached hereto (the "**Debt Conversion Agreement**");

WHEREAS, the holders of all outstanding Options have or will have agreed, contingent on Closing, to exercise and convert their respective Options into shares of Company Common Stock immediately prior to the Closing pursuant of the terms of Contingent Exercise Notice in the form of Exhibit G hereto (the "**Contingent Exercise Notice**") or such Options will terminate in accordance with their terms at the Effective Time;

WHEREAS, a portion of the consideration otherwise payable by Parent to the Stockholders of the Company in connection with the Merger shall be retained by Parent, the release of which shall be contingent upon certain events and conditions, all as set forth in this Agreement;

WHEREAS, each of the Founders has entered into an employment agreement and a noncompete agreement with Merger Sub effective upon the Closing of the Merger contemplated hereby (the "**Founder Agreements**") in the form of Exhibit F attached hereto;

WHEREAS, each other employee of the Company has entered into an employment agreement with Merger Sub (the "**Employment Agreements**");

WHEREAS, for U.S. federal and applicable state income Tax purposes, it is intended that the Merger qualify as a reorganization within the meaning of Section 368(a) of the Code and that this Agreement constitutes, and hereby is adopted as, a plan of reorganization; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

The following terms have the meanings specified or referred to in this Article I:

"**Accredited Investor**" has the meaning given such term in Rule 501 in Regulation D of the Securities Act of 1933, as amended.

"**Action**" means any claim, action, cause of action, demand, lawsuit, arbitration, inquiry, audit, investigation, examination, notice of violation, proceeding, litigation, citation, summons or subpoena of any nature, civil, criminal, administrative, regulatory or otherwise, whether at law or in equity.

"**Adjusted Pro Rata Share**" means, with respect to any Stockholder, such Person's percentage determined by dividing (a) the number of shares of Company Common Stock owned of record by such Person as of immediately prior to the Effective Time (after exercise or cancellation of all Options) by (b) the Company Common Stock Share Number.

"**Affiliate**" of a Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The term "control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"**Agreement**" has the meaning set forth in the preamble.

"**Ancillary Documents**" means the Letters of Transmittal, Founders Agreements, Debt Conversion Agreements, and Contingent Exercise Notices.

"**Annual Financial Statements**" has the meaning set forth in Section 3.06.

"**Balance Sheet**" has the meaning set forth in Section 3.06.

"**Balance Sheet Date**" has the meaning set forth in Section 3.06.

"**Base Purchase Price**" means 1,780,000 Parent Shares (which figure is subject to adjustment for treatment of fractional shares pursuant to Section 2.16).

"**Basket**" has the meaning set forth in Section 8.04(a).

"**Benefit Plan**" has the meaning set forth in Section 3.20(a).

"**Business Day**" means any day except Saturday, Sunday or any other day on which commercial banks located in Vancouver, British Columbia, Canada or New York, New York, USA are authorized or required by Law to be closed for business.

"**Cap**" has the meaning set forth in Section 8.04(a).

"**CARES Act**" means the Coronavirus Aid, Relief, and Economic Security Act, Pub. L. 116–136.

"**CERCLA**" means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601 et seq.

"**Chapter 78**" means Chapter 78 of the Nevada Revised Statutes, as amended.

"**Chapter 92A**" means Chapter 92A of the Nevada Revised Statutes, as amended.

"**Closing**" has the meaning set forth in Section 2.02.

"**Closing Adjustment**" has the meaning set forth in Section 2.13(a).

"**Closing Base Merger Consideration**" means the Base Purchase Price, minus (i) the Escrow Shares, minus (ii) a number of Parent Shares determined by dividing the Estimated Closing Adjustment by the Share Price.

"**Closing Date**" has the meaning set forth in Section 2.02.

"**Closing Indebtedness Certificate**" means a certificate executed by the Chief Executive Officer of the Company certifying on behalf of the Company an itemized list of all outstanding Indebtedness as of the open of business on the Closing Date and the Person to whom such outstanding Indebtedness is owed and an aggregate total of such outstanding Indebtedness.

"**Closing Liabilities**" means all liabilities of the Company as of the open of business on the Closing Date, including accounts payable, accrued Taxes and accrued expenses, Transaction Expenses and Indebtedness of the Company to the extent not paid or otherwise satisfied prior to or in connection with Closing, determined in accordance with GAAP, but excluding any Convertible Notes and accrued interest on those notes that will be converted into shares of Company Note Conversion Common Stock prior to Closing.

"**Closing Liability Statement**" has the meaning set forth in Section 2.13(b)(i).

"**Closing Merger Consideration**" means the Closing Base Merger Consideration, the Series A Warrants and the Series B Warrants.

"**Closing Net Liability**" means: (a) the Closing Liabilities less (b) the Current Assets of the Company, in each case determined as of the open of business on the Closing Date.

"**Closing Transaction Expenses Certificate**" means a certificate executed by the Chief Executive Officer of the Company, certifying the amount of Transaction Expenses remaining unpaid as of the close of business on the Closing Date (including an itemized list of each such unpaid Transaction Expense with a description of the nature of such expense and the Person to whom such expense is owed).

"**Closing Vacation Carryover Certificate**" means a certificate executed by the Chief Executive Officer of the Company certifying on behalf of the Company that no Person is owed more than 40 hours of vacation or other paid time off as of the Closing.

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Company**" has the meaning set forth in the preamble.

"**Company Board**" has the meaning set forth in the recitals.

"**Company Charter Documents**" has the meaning set forth in Section 3.03.

"**Company Common Stock**" means the Common Stock, par value $0.001 per share, of the Company.

"**Company Common Stock Share Number**" means the aggregate number of shares of Company Common Stock outstanding immediately prior to the Effective Time (other than shares of Company Common Stock owned by the Company which are to be cancelled and retired in accordance with Section 2.08(a)), including the shares of Company Common Stock issued in connection with exercise of Options.

"**Company Intellectual Property**" means all Intellectual Property that is owned or purported to be owned by the Company.

"**Company IP Agreements**" means all licenses, sublicenses, consent to use agreements, settlements, coexistence agreements, covenants not to sue, waivers, releases, permissions and other Contracts, whether written or oral, relating to Intellectual Property to which the Company is a party, beneficiary or otherwise bound.

"**Company IP Registrations**" means all Company Intellectual Property that is subject to any issuance, registration or application by, to or with any Governmental Authority or authorized private registrar in any jurisdiction, including issued patents, registered trademarks, domain names and copyrights, and pending applications for any of the foregoing.

"**Company IT Systems**" means all Software, computer hardware, servers, networks, platforms, peripherals, and similar or related items of automated, computerized, or other information technology (IT) networks and systems (including telecommunications networks and systems for voice, data, and video) owned, leased, licensed, or used (including through cloud-based or other third-party service providers) by the Company.

"**Company Note Conversion Common Stock**" means the Note Conversion Common Stock, par value $0.001 per share, of the Company to be issued upon the conversion of the outstanding Convertible Notes.

"**Company Stock**" means the Company Common Stock and the Company Note Conversion Common Stock.

"**Consideration Spreadsheet**" has the meaning set forth in Section 2.14(a).

"**Contracts**" means all contracts, leases, deeds, mortgages, licenses, instruments, notes, indentures, joint ventures and all other legally binding agreements, commitments, undertakings and arrangements, whether written or oral.

"**Convertible Note**" means any note convertible into Company capital stock.

"**Convertible Note Holder**" means any registered owner on the books of the Company of a Convertible Note.

"**Current Assets**" means cash and cash equivalents, accounts receivable, inventory, prepaid expenses and current Tax assets as of the open of business on the Closing Date, but excluding (a) the portion of any prepaid expense of which Parent will not receive the benefit following the Closing, (b) deferred Tax assets, (c) receivables from any of the Company's Affiliates, directors, employees, officers or stockholders and any of their respective Affiliates (other than amounts receivable from any such person pursuant to an agreement to exercise an Option immediately prior to the Closing), and (d) any accounts receivable that are more than 90 days' past due, in each case determined in accordance with GAAP.

"**DEA**" means the United States Drug Enforcement Administration.

"**DE Certificate of Merger**" has the meaning set forth in Section 2.04.

"**Direct Claim**" has the meaning set forth in Section 8.05(c).

"**Disclosure Schedules**" means the Disclosure Schedules delivered by the Company and Parent concurrently with the execution and delivery of this Agreement.

"**Disputed Amounts**" has the meaning set forth in Section 2.13(c).

"**DLLCA**" means the Delaware Limited Liability Company Act, as amended.

"**Dollars" or "$**" means the lawful currency of the United States.

"**Effective Time**" has the meaning set forth in Section 2.04.

"**EIDL Loan**" means that certain Economic Injury Disaster Loan (SBA Loan #1343947905) dated June 10, 2020 from the U.S. Small Business Administration to the Company in the principal amount of $126,200.

"**EIDL Loan Application**" means the certain application for the EIDL Loan (application number 3600654310) and all related documentation.

"**Encumbrance**" means any charge, claim, community property interest, pledge, condition, equitable interest, lien (statutory or other), option, security interest, mortgage, easement, encroachment, right of way, right of first refusal, or restriction of any kind, including any restriction on use, voting, transfer, receipt of income or exercise of any other attribute of ownership.

"**Environmental Claim**" means any Action, Governmental Order, lien, fine, penalty, or, as to each, any settlement or judgment arising therefrom, by or from any Person alleging liability of whatever kind or nature (including liability or responsibility for the costs of enforcement proceedings, investigations, cleanup, governmental response, removal or remediation, natural resources damages, property damages, personal injuries, medical monitoring, penalties, contribution, indemnification and injunctive relief) arising out of, based on or resulting from: (a) the presence, Release of, or exposure to, any Hazardous Materials; or (b) any actual or alleged non-compliance with any Environmental Law or term or condition of any Environmental Permit.

"**Environmental Law**" means any applicable Law, and any Governmental Order or binding agreement with any Governmental Authority: (a) relating to pollution (or the cleanup thereof) or the protection of natural resources, endangered or threatened species, human health or safety, or the environment (including ambient air, soil, surface water or groundwater, or subsurface strata); or (b) concerning the presence of, exposure to, or the management, manufacture, use, containment, storage, recycling, reclamation, reuse, treatment, generation, discharge, transportation, processing, production, disposal or remediation of any Hazardous Materials. The term "Environmental Law" includes, without limitation, the following (including their implementing regulations and any state analogs): the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601 et seq.; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §§ 6901 et seq.; the Federal Water Pollution Control Act of 1972, as amended by the Clean Water Act of 1977, 33 U.S.C. §§ 1251 et seq.; the Toxic Substances Control Act of 1976, as amended, 15 U.S.C. §§ 2601 et seq.; the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. §§ 11001 et seq.; the Clean Air Act of 1966, as amended by the Clean Air Act Amendments of 1990, 42 U.S.C. §§ 7401 et seq.; and the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. §§ 651 et seq.

"**Environmental Notice**" means any written directive, notice of violation or infraction, or notice respecting any Environmental Claim relating to actual or alleged non-compliance with any Environmental Law or any term or condition of any Environmental Permit.

"**Environmental Permit**" means any Permit, letter, clearance, consent, waiver, closure, exemption, decision or other action required under or issued, granted, given, authorized by or made pursuant to Environmental Law.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

"**ERISA Affiliate**" means all employers (whether or not incorporated) that would be treated together with the Company or any of its Affiliates as a "single employer" within the meaning of Section 414 of the Code.

"**Escrow Shares**" means 470,000 Parent Shares from the Base Purchase Price to be issued and retained by Parent and held in escrow by Parent in accordance with the terms of this Agreement.

"**Estimated Closing Adjustment**" has the meaning set forth in Section 2.13(a)(ii).

"**Estimated Closing Liability**" has the meaning set forth in Section 2.13(a)(i).

"**Estimated Closing Liability Statement**" has the meaning set forth in Section 2.13(a)(i).

"**Exchange Act**" has the meaning set forth in Section 5.07.

"**FDA**" means the United States Food and Drug Administration.

"**Financial Statements**" has the meaning set forth in Section 3.06.

"**FIRPTA Statement**" has the meaning set forth in Section 6.10.

"**Food and Drug Laws**" means all Laws applicable to the Company and its business, including those enforced by the DEA and FDA.

"**Founder**" means each of Philip J. Barr, Shane A. Johnson, and Charles K. Marlowe.

"**Founding Stockholder**" means the Johnson Trust and any other non-individual Person through which any Founder owns any shares of Company Stock as of the Closing.

"**Fully Diluted Share Number**" means the aggregate number of shares of Company Stock outstanding immediately prior to the Effective Time (other than shares of Company Common Stock owned by the Company which are to be cancelled and retired in accordance with Section 2.08(a)), including the shares of Company Common Stock issued in connection with exercise of Options and the shares of Company Note Conversion Common Stock issued in connection with the conversion of Convertible Notes.

"**GAAP**" means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board consistently applied.

"**Government Contracts**" has the meaning set forth in Section 3.09(a)(x).

"**Governmental Authority**" means any federal, state, local or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations or orders of such organization or authority have the force of Law), or any arbitrator, court or tribunal of competent jurisdiction.

"**Governmental Order**" means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

"**Hazardous Materials**" means: (a) any material, substance, chemical, waste, product, derivative, compound, mixture, solid, liquid, mineral or gas, in each case, whether naturally occurring or manmade, that is hazardous, acutely hazardous, toxic, or words of similar import or regulatory effect under Environmental Laws; and (b) any petroleum or petroleum-derived products, radon, radioactive materials or wastes, asbestos in any form, lead or lead-containing materials, urea formaldehyde foam insulation, and polychlorinated biphenyls.

"**Indebtedness**" means, without duplication and with respect to the Company, all (a) indebtedness for borrowed money; (b) obligations for the deferred purchase price of property or services (other than Liabilities taken into account in the calculation of Closing Liability), (c) long or short-term obligations evidenced by notes, bonds, debentures or other similar instruments; (d) obligations under any interest rate, currency swap or other hedging agreement or arrangement; (e) capital lease obligations; (f) reimbursement obligations under any letter of credit, banker's acceptance or similar credit transactions; (g) any unpaid payroll Taxes of the Company deferred under Section 2302 of the CARES Act or pursuant to IRS Notice 2020-65; (h) guarantees made by the Company on behalf of any third party in respect of obligations of the kind referred to in the foregoing clauses (a) through (g); and (i) any unpaid interest, prepayment penalties, premiums, costs and fees that would arise or become due as a result of the prepayment of any of the obligations referred to in the foregoing clauses (a) through (h).

"**Indemnification Escrow Fund**" has the meaning set forth in Section 2.10.

"**Indemnified Party**" has the meaning set forth in Section 8.05.

"**Indemnifying Party**" has the meaning set forth in Section 8.05.

"**Independent Accountant**" has the meaning set forth in Section 2.13(c)(iii).

"**Insurance Policies**" has the meaning set forth in Section 3.16.

"**Intellectual Property**" means any and all rights in, arising out of, or associated with any of the following in any jurisdiction throughout the world: (a) issued patents and patent applications (whether provisional or non-provisional), including divisionals, continuations, continuations-in-part, substitutions, reissues, reexaminations, extensions, or restorations of any of the foregoing, and other Governmental Authority-issued indicia of invention ownership (including certificates of invention, petty patents, and patent utility models) ("**Patents**"); (b) trademarks, service marks, brands, certification marks, logos, trade dress, trade names, and other similar indicia of source or origin, together with the goodwill connected with the use of and symbolized by, and all registrations, applications for registration, and renewals of, any of the foregoing ("**Trademarks**"); (c) copyrights and works of authorship, whether or not copyrightable, and all registrations, applications for registration, and renewals of any of the foregoing ("**Copyrights**"); (d) internet domain names and social media account or user names (including "handles"), whether or not Trademarks, all associated web addresses, URLs, websites and web pages, social media sites and pages, and all content and data thereon or relating thereto, whether or not Copyrights; (e) industrial designs, and all Patents, registrations, applications for registration, and renewals thereof; (f) trade secrets, know-how, inventions (whether or not patentable), discoveries, improvements, technology, business and technical information, databases, data compilations and collections, tools, methods, processes, techniques, and other confidential and proprietary information and all rights therein ("**Trade Secrets**"); (h) computer programs, operating systems, applications, firmware, and other code, including all source code, object code, application programming interfaces, data files, databases, protocols, specifications, and other documentation thereof; (i) rights of publicity; and (j) all other intellectual or industrial property and proprietary rights.

"**Interim Balance Sheet**" has the meaning set forth in Section 3.06.

"**Interim Balance Sheet Date**" has the meaning set forth in Section 3.06.

"**Interim Financial Statements**" has the meaning set forth in Section 3.06.

"**Knowledge**" means, when used with respect to the Company, the knowledge of any Founder, James Kealey, or Chis Meiering in each case after due inquiry.

"**Law**" means any statute, law, ordinance, regulation, rule, code, order, constitution, treaty, common law, judgment, decree, other requirement or rule of law of any Governmental Authority.

"**Letter of Transmittal**" has the meaning set forth in Section 5.05.

"**Liabilities**" has the meaning set forth in Section 3.07.

"**Licensed Intellectual Property**" means all Intellectual Property in which the Company holds any rights or interests granted by other Persons, including any of its Affiliates.

"**Losses**" means losses, damages, liabilities, deficiencies, Taxes, judgments, interest, awards, penalties, fines, costs or expenses of whatever kind, including reasonable attorneys' fees and the cost of enforcing any right to indemnification hereunder and the cost of pursuing any insurance providers; *provided, however*, that "**Losses**" shall not include punitive damages, except to the extent that punitive damages are actually awarded to a Governmental Authority or other third party.

"**Majority Holder**" has the meaning set forth in Section 10.01(b).

"**Material Adverse Effect**" means with respect to an entity means any event, occurrence, fact, condition or change that is, or could reasonably be expected to become, individually or in the aggregate, materially adverse to (a) the business, results of operations, condition (financial or otherwise) or assets of the entity and its subsidiaries taken as a whole, or (b) the ability of the entity to consummate the transactions contemplated hereby on a timely basis; *provided, however*, that "Material Adverse Effect" shall not include any event, occurrence, fact, condition or change, directly or indirectly, arising out of or attributable to: (i) general economic or political conditions; (ii) conditions generally affecting the industries in which the entity and its subsidiaries operate; (iii) any changes in financial or securities markets in general; (iv) acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or worsening thereof; (v) the impact of the COVID-19 pandemic or any other pandemic, epidemic or public health emergency; (vi) any natural or man-made disaster or "act of God;" or (vii) any changes in applicable Laws or accounting rules, including GAAP; *provided further, however*, that any event, occurrence, fact, condition or change referred to in clauses (i) through (iii) and (vii) immediately above shall be taken into account in determining whether a Material Adverse Effect has occurred or could reasonably be expected to occur to the extent that such event, occurrence, fact, condition or change has a disproportionate effect on the entity and its subsidiaries taken as a whole compared to other participants in the industries in which they conduct their businesses.

"**Material Contracts**" has the meaning set forth in Section 3.09(a).

"**Material Customers**" has the meaning set forth in Section 3.15(b).

"**Material Suppliers**" has the meaning set forth in Section 3.15(b).

"**Merger**" has the meaning set forth in the recitals.

"**Merger Consideration**" means the Closing Base Merger Consideration, the Series A Warrants and the Series B Warrants, together with those portions of the Escrow Shares that the Stockholders become entitled to receive pursuant to the terms of this Agreement.

"**Merger Sub**" has the meaning set forth in the preamble.

"**Multiemployer Plan**" has the meaning set forth in Section 3.20(c).

"**NV Certificate of Merger**" has the meaning set forth in Section 2.04.

"**Option**" means any option to purchase Company Common Stock granted under the Stock Option Plan.

"**Optionholder**" means a holder of an Option.

"**Parent**" has the meaning set forth in the preamble.

"**Parent Indemnitees**" has the meaning set forth in Section 8.02.

"**Parent Shares**" means common shares in the capital of Parent.

"**Permits**" means all permits, licenses, franchises, approvals, authorizations, registrations, certificates, variances and similar rights obtained, or required to be obtained, from Governmental Authorities.

"**Permitted Encumbrances**" has the meaning set forth in Section 3.10(a).

"**Person**" means an individual, corporation, partnership, joint venture, limited liability company, Governmental Authority, unincorporated organization, trust, association or other entity.

"**Platform Agreements**" has the meaning set forth in Section 3.12(h).

"**Post-Closing Adjustment**" has the meaning set forth in Section 2.13(b)(i).

"**Potential Contributor**" has the meaning set forth in Section 8.04(h).

"**PPP**" means the Paycheck Protection Program.

"**PPP Forgiveness Applications**" means the Paycheck Protection Program Loan Forgiveness Applications, SBA Forms 3508, submitted by the Company with respect to the PPP Loans (together with all certifications set forth therein and all appendices, exhibits, attachments and other documents submitted in connection therewith).

"**PPP Lenders**" means Greater Nevada Credit Union ("**PPP Lender #1**") and First Southwest Bank ("**PPP Lender #2**").

"**PPP Loans**" means those certain loans to the Company from the PPP Lenders pursuant to the Paycheck Protection Program in the original principal amounts of $115,800 (April 14, 2020 from PPP Lender #1) ("**PPP Loan #1**") and $123,670 (January 1, 2021 from PPP Lender #2) ("**PPP Loan #2**").

"**PPP Loan Applications**" means the Paycheck Protection Program Borrower Application Forms, and SBA Forms 2483, submitted by the Company in connection with the PPP Loans, together with all certifications set forth therein and all appendices, exhibits, attachments and other documents submitted in connection therewith.

"**Pre-Closing Tax Period**" means any taxable period ending on or before the Closing Date and, with respect to any Straddle Period, the portion of such Straddle Period ending on and including the Closing Date.

"**Pre-Closing Taxes**" means any and all (a) Taxes (or the non-payment thereof) of the Company for any Pre-Closing Tax Period (with respect to any Straddle Period, as determined pursuant to Section 6.05), and (b) any Liability for Taxes in taxable periods (or portions thereof) ending after the Closing Date arising from the forgiveness of all or any portion of the PPP Loans, including as a result of any disallowed Tax deductions in such periods attributable to expenses of Parent or Company that would have been deductible but for the forgiveness of the PPP Loans pursuant to applicable Law.

"**Pro Rata Share**" means, with respect to any Stockholder, such Person's percentage determined by dividing (a) the number of shares of Company Stock owned of record by such Person as of immediately prior to the Effective Time (after exercise or cancellation of all Options and conversion of all Convertible Notes) by (b) the Fully Diluted Share Number.

"**Real Property**" means the real property leased or subleased by the Company, together with all buildings, structures and facilities located thereon.

"**Release**" means any actual or threatened release, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, abandonment, disposing or allowing to escape or migrate into or through the environment (including, without limitation, ambient air (indoor or outdoor), surface water, groundwater, land surface or subsurface strata or within any building, structure, facility or fixture).

"**Representative**" means, with respect to any Person, any and all directors, officers, employees, consultants, financial advisors, counsel, accountants and other agents of such Person.

"**Representative Losses**" has the meaning set forth in Section 10.01(c).

"**Resolution Period**" has the meaning set forth in Section 2.13(c)(ii).

"**Restriction Period**" has the meaning set forth in Section 5.07.

"**Review Period**" has the meaning set forth in Section 2.13(c)(i).

"**Securities Act**" has the meaning set forth in Section 4.08(a).

"**Series A Warrants**" means warrants to purchase an aggregate of 800,000 Parent Shares in the Form of Exhibit D.

"**Series B Warrants**" means warrants to purchase an aggregate of 800,000 Parent Shares in the Form of Exhibit E.

"**Share Price**" means the average of the daily volume weighted average price of a Parent Share on the Nasdaq Stock Market ("**Nasdaq**") for the twenty trading days prior to the third Business Day before the Closing Date.

"**Single Employer Plan**" has the meaning set forth in Section 3.21(c).

"**Statement of Objections**" has the meaning set forth in Section 2.13(c)(ii).

"**Stock Option Plan**" means the BayMedica, Inc. 2018 Stock Plan of the Company.

"**Stockholder**" means a holder of Company Stock, including each of Philip J. Barr, The Shane A. Johnson Trust DTD April 18, 1997, as amended, Shane A. Johnson TTEE, and Charles K. Marlowe, each Convertible Note Holder and each Optionholder who exercises an Option prior to the Closing.

"**Stockholder Indemnitees**" has the meaning set forth in Section 8.03.

"**Stockholder Representative**" has the meaning set forth in the preamble.

"**Straddle Period**" has the meaning set forth in Section 6.05.

"**Surviving Entity**" has the meaning set forth in Section 2.01.

"**Target Closing Liabilities**" has the meaning set forth in Section 2.13(a)(ii).

"**Taxes**" means (i) all federal, state, local, foreign and other taxes and other governmental fees, duties (including customs duties), levies, assessments or charges of any kind whatsoever (however denominated), including, but not limited to income, gross receipts, sales, use, value added, production, ad valorem, transfer, franchise, registration, profits, license, lease, service, service use, withholding, payroll, employment, unemployment, social security (or equivalent), disability, estimated, excise, unclaimed or abandoned property, escheat, severance, environmental, stamp, occupation, premium, property (real or personal), real property gains, and windfall profits, together with any interest, additions or penalties with respect thereto and any interest in respect of such additions or penalties, (ii) any Liability for the payment of any amounts of the type described in clause (i) of this sentence as a result of being (or ceasing to be) a member of an affiliated, consolidated, combined, unitary or aggregate group, and (iii) any Liability for the payment of any amounts of the type described in clause (i) or (ii) of this sentence as a result of being a transferee of or successor to any Person or as a result of any express or implied obligation to assume such Taxes or to indemnify any other Person.

"**Tax Claim**" has the meaning set forth in Section 6.06.

"**Tax Return**" means any return, declaration, report, form, election, notice, filing, claim for refund, information return or statement or other document filed or required to be filed with a Governmental Authority relating to Taxes, including any schedule or attachment thereto, and any amendment thereof, and, in all cases, whether in written, electronic or other form.

"**Third Party Claim**" has the meaning set forth in Section 8.05(a).

"**Transaction Expenses**" means all fees and expenses incurred by the Company and any Affiliate at or prior to the Closing in connection with the preparation, negotiation and execution of this Agreement, the Ancillary Documents, the Founder Agreements, the Employment Agreements and the performance and consummation of the Merger and the other transactions contemplated hereby and thereby, whether or not paid, payable, billed, invoiced or accrued prior to or after the Closing (including without limitation any bonuses or other amounts payable to employees, officers or directors as a result of this Agreement and the transactions contemplated hereby including the termination of their positions as officers or directors as of the Closing without respect to any subsequent termination of such employees or officers following the Closing, fees and expenses of legal counsel and accountants, fees and expenses payable to financial advisors, investment bankers and brokers of the Company notwithstanding any contingencies for earnouts, holdback, etc., and any such fees incurred by Stockholders, Optionholders, Convertible Noteholders and/or the Stockholder Representative paid for or to be paid for by the Company, any fees and expenses incurred in connection with the termination of any Benefit Plan, and expenses of Stockholders, Optionholders, Convertible Noteholders and/or the Stockholder Representative that the Company has agreed to pay or is otherwise obligated to pay and any payroll Taxes incurred by the Company in connection therewith, any payroll Taxes or withholding Taxes incurred by the Company in connection with the exercise of any Options).

"**True-Up Adjustment**" has the meaning set forth in Section 2.13(d)(ii).

"**Undisputed Amounts**" has the meaning set forth in Section 2.13(c)(iii).

"**Union**" has the meaning set forth in Section 3.21(b).

"**Vacation Carryover**" means the aggregate amount of vacation or other paid time off in excess of 40 hours for any employees of the Company as of the Closing multiplied by the applicable hourly base compensation for such employee (using base salary divided by 2000 hours for any employees who have an annual base salary rather than an hourly rate compensation).

"**WARN Act**" means the federal Worker Adjustment and Retraining Notification Act of 1988, and similar state, local and foreign laws related to plant closings, relocations, mass layoffs and employment losses.

ARTICLE II

THE MERGER

Section 2.01 The Merger. On the terms and subject to the conditions set forth in this Agreement, and in accordance with the provisions of Chapter 92A, at the Effective Time, (a) the Company will merge with and into Merger Sub, and (b) the separate corporate existence of the Company will cease and Merger Sub will continue its corporate existence under the DLLCA as the Surviving Entity in the Merger (sometimes referred to herein as the "**Surviving Entity**").

Section 2.02 Closing. Subject to the terms and conditions of this Agreement, the closing of the Merger (the "**Closing**") shall take place at 9:00 a.m., Vancouver, British Columbia, Canada time, no later than two Business Days after the last of the conditions to Closing set forth in Article VII have been satisfied or waived (other than conditions which, by their nature, are to be satisfied on the Closing Date), remotely by exchange of documents and signatures (or their electronic counterparts), or at such other time or on such other date or at such other place as the Company and Parent may mutually agree upon in writing (the day on which the Closing takes place being the "**Closing Date**").

Section 2.03 Closing Deliverables.

(a) At or prior to the Closing, the Company shall deliver to Parent the following:

(i) resignations of the directors and officers of the Company (from such offices and not of employment);

(ii) a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of the Company certifying that (A) attached thereto are true and complete copies of (1) all resolutions adopted by the Company Board authorizing the execution, delivery and performance of this Agreement and the Ancillary Documents and the consummation of the transactions contemplated hereby and thereby and (2) resolutions of the Stockholders approving the Merger and adopting this Agreement, and (B) all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby;

(iii) a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of the Company certifying the names and signatures of the officers of the Company authorized to sign this Agreement, the Ancillary Documents and the other documents to be delivered hereunder and thereunder;

(iv) a good standing certificate (or its equivalent) from the secretary of state or similar Governmental Authority of the jurisdiction under the Laws in which the Company is organized;

(v) at least three Business Days prior to the Closing, the Closing Transaction Expenses Certificate;

(vi) at least three Business Days prior to the Closing, the Closing Indebtedness Certificate;

(vii) the Estimated Closing Liability Statement contemplated in Section 2.13(a);

(viii) at least three Business Days prior to the Closing, the Closing Vacation Carryover Certificate indicating that no Person is owed more than 40 hours of combined vacation and paid time off from the Company;

(ix) the Consideration Spreadsheet contemplated in Section 2.14;

(x) the FIRPTA Statement;

(xi) a duly completed and executed Contingent Exercise Notice from each Optionholder intending to exercise his/her/its Options and evidence reasonably satisfactory to Parent of the exercise or termination of all outstanding Options;

(xii) a duly completed and executed Debt Conversion Agreement from each Convertible Note Holder and evidence reasonably satisfactory to Parent of the conversion of all outstanding Convertible Notes;

(xiii) a duly completed and executed Letter of Transmittal from each Stockholder; and

(xiv) payoff letters reasonably acceptable to Parent with respect to all Indebtedness for borrowed money;

(xv) invoices in form reasonably acceptable to Parent with respect to all Transaction Expenses payable to third party vendors;

(xvi) a consent to the Merger and estoppel certificate from DPT 458 Carlton Court, LLC, under the Company's current lease agreement in form and substance reasonably acceptable to Parent;

(xvii) a duly executed Employment Agreement from each employee of the Company;

(xviii) a duly executed Founders Agreement from each Founder;

(xix) a certificate, dated the Closing Date and signed by a duly authorized officer of the Company, that each of the conditions set forth in Section 7.02(a) and Section 7.02(b) have been satisfied; and

(xx) such other documents or instruments as Parent reasonably requests and are reasonably necessary to consummate the transactions contemplated by this Agreement.

(b) At the Closing, Parent shall deliver to the Company (or such other Person as may be specified herein) the following:

(i) pay the Closing Merger Consideration payable pursuant to Section 2.08 by irrevocably instructing its transfer agent to issue the Parent Shares, Series A Warrants and Series B Warrants included in the Closing Merger Consideration to Stockholders allocated in accordance with the Consideration Spreadsheet, which Parent Shares will be subject to the lock-up covenant under Section 5.07 of this Agreement;

(ii) issue the Escrow Shares to be retained and released by Parent in accordance with this Agreement;

(iii) payment to third parties by wire transfer of immediately available funds of that amount of money due and owing from the Company to such third parties as Transaction Expenses as set forth on the Closing Transaction Expenses Certificate;

(iv) payment to holders of outstanding Indebtedness, other than the Convertible Notes, by wire transfer of immediately available funds that amount of money due and owing from the Company to such holder of outstanding Indebtedness as set forth on the Closing Indebtedness Certificate;

(v) a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of Parent and Merger Sub certifying that attached thereto are true and complete copies of all resolutions adopted by the board of directors of Parent and Merger Sub authorizing the execution, delivery and performance of this Agreement and the Ancillary Documents and the consummation of the transactions contemplated hereby and thereby, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby;

(vi) a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of Parent and Merger Sub certifying the names and signatures of the officers of Parent and Merger Sub authorized to sign this Agreement, the Ancillary Documents and the other documents to be delivered hereunder and thereunder;

(vii) A certificate, dated the Closing Date and signed by a duly authorized officer of Parent, that each of the conditions set forth in Section 7.03(a) and Section 7.03(b) have been satisfied; and

(viii) such other documents or instruments as the Company reasonably requests and are reasonably necessary to consummate the transactions contemplated by this Agreement.

Section 2.04 Effective Time. Subject to the provisions of this Agreement, at the Closing, the Company, Parent and Merger Sub shall cause (a) Articles of Conversion/Exchange/Merger (the "**NV Certificate of Merger**") to be executed, acknowledged and filed with the Secretary of State of the State of Nevada in accordance with the relevant provisions of Chapter 92A and shall make all other filings or recordings required under Chapter 92A and (b) cause a certificate of merger (the "**DE Certificate of Merger**") to be executed, acknowledged and filed with the Secretary of State of the State of Delaware in accordance with the relevant provisions of the DLLCA and shall make all other filings or recordings required thereunder. The Merger shall become effective at such time as the NV Certificate of Merger has been duly filed with the Secretary of State of the State of Nevada and the DE Certificate of Merger has been duly filed with the Secretary of State of the State of Delaware (the effective time of the Merger being hereinafter referred to as the "**Effective Time**").

Section 2.05 Effects of the Merger. The Merger shall have the effects set forth herein and in the applicable provisions of Chapter 92A and the DLLCA. Without limiting the generality of the foregoing, and subject thereto, from and after the Effective Time, all property, rights, privileges, immunities, powers, franchises, licenses and authority of the Company and Merger Sub shall vest in the Surviving Entity, and all debts, liabilities, obligations, restrictions and duties of each of the Company and Merger Sub shall become the debts, liabilities, obligations, restrictions and duties of the Surviving Entity.

Section 2.06 Articles of Incorporation; Bylaws. At the Effective Time, (a) the certificate of formation of Merger Sub as in effect immediately prior to the Effective Time shall be the certificate of formation of the Surviving Entity until thereafter amended in accordance with the terms thereof or as provided by applicable Law, and (b) the limited liability company agreement of Merger Sub as in effect immediately prior to the Effective Time shall be the limited liability company agreement of the Surviving Entity until thereafter amended in accordance with the terms thereof, the certificate of incorporation of the Surviving Entity or as provided by applicable Law. At the Effective Time the name of the Surviving Entity will be changed to BayMedica, LLC.

Section 2.07 Directors and Officers. The directors and officers of Merger Sub, in each case, immediately prior to the Effective Time shall, from and after the Effective Time, be the directors and officers, respectively, of the Surviving Entity until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the articles of incorporation and bylaws of the Surviving Entity.

Section 2.08 Effect of the Merger on Common Stock. At the Effective Time, as a result of the Merger and without any action on the part of Parent, Merger Sub, the Company or any Stockholder:

(a) Cancellation of Certain Company Common Stock. Shares of Company Common Stock that are owned by Parent, Merger Sub or the Company (as treasury stock or otherwise) or any of their respective direct or indirect wholly owned Subsidiaries shall automatically be cancelled and retired and shall cease to exist, and no consideration shall be delivered in exchange therefor.

(b) Conversion of Company Stock.

(i) Each share of Company Stock issued and outstanding immediately prior to the Effective Time, including the shares of Company Common Stock obtained by Optionholders upon exercise of their Options and shares of Company Note Conversion Common Stock obtained by Convertible Note Holders upon conversion of their Convertible Notes (other than shares of Company Common Stock to be cancelled and retired in accordance with Section 2.08(a)), shall be converted into the right to receive a portion of the Merger Consideration determined as follows, at the respective times and subject to the contingencies specified herein (collectively, the "**Merger Consideration Allocation**"):

(1) Each share of Company Stock will be allocated a pro rata portion of the Closing Base Merger Consideration; provided however, that if the portion of Closing Base Merger Consideration allocated to the Company Note Conversion Common Stock would otherwise be less than 50% of the total Closing Base Merger Consideration, then the portion of Closing Base Merger Consideration allocated to the Company Note Conversion Common Stock shall be increased to 50%.

(2) Each share of Company Note Conversion Common Stock will be allocated Series A Warrants to acquire one half of a Parent Share for each Parent Share it (A) is allocated per clause (1) above plus (B) would receive if all Escrow Shares were distributed to the Stockholders without deduction in accordance with the terms of this Agreement;

(3) Each share of Company Common Stock will be allocated a pro rata portion of the remaining Series A Warrants;

(4) Each share of Company Common Stock will be allocated a pro rata portion of the Series B Warrants;

(5) Any Escrow Shares that may become payable to the holders of Company Stock in the future as provided in this Agreement, at the respective times and subject to the contingencies specified herein, shall be allocated in respect of each share of Company Stock in the same manner as clause (1) above.

(ii) In addition to the consideration set forth in Section 2.08(b)(i), each share of Company Common Stock issued and outstanding immediately prior to the Effective Time, including the shares of Company Common Stock obtained by Optionholders upon exercise of their Options, shall also be entitled to receive its ratable portion of the True-Up Adjustment pursuant to Section 2.13(d)(ii), if any, at the respective times and subject to the contingencies specified herein.

(c) Conversion of Merger Sub Equity. All equity of Merger Sub issued and outstanding immediately prior to the Effective Time shall be converted into and become fully paid and non-assessable equity of the Surviving Entity.

Section 2.09 Surrender and Payment. At the Effective Time, all shares of Company Stock outstanding immediately prior to the Effective Time shall automatically be cancelled and retired and shall cease to exist, and each holder of shares of Company Stock shall cease to have any rights as a stockholder of the Company and shall instead have the right to receive the Merger Consideration and the other rights set forth herein.

Section 2.10 Indemnity Escrow. Parent will issue and retain and hold in escrow from the Base Purchase Price the Escrow Shares for the purpose of securing the indemnification obligations of Stockholders pursuant to this Agreement (less any cancellations of such Escrow Shares in accordance with the terms of this Agreement) (the "**Indemnification Escrow Fund**").

Section 2.11 No Further Ownership Rights in Company Stock; Waiver of Dissenters' Rights. All Merger Consideration paid or payable in accordance with the terms hereof shall be deemed to have been paid or payable in full satisfaction of all rights pertaining to the shares of Company Stock formerly held by the Stockholders and from and after the Effective Time, there shall be no further registration of transfers of shares of Company Stock on the books of the Surviving Entity. Each Stockholder hereby agrees that as a party to this Agreement or by virtue of tendering such Stockholder's shares of Company Stock in the Merger in exchange for the Merger Consideration, such Stockholder expressly waives all statutory dissenter and appraisal rights pursuant to the Nevada Revised Statutes or other applicable Law with respect to such Stockholder's shares of Company Stock in connection with the Merger.

Section 2.12 Withholding Rights. Each of Parent, Merger Sub, the Company and the Surviving Entity, and their respective agents and representatives, shall be entitled to deduct and withhold from all amounts otherwise payable to any Person pursuant to this Agreement all such amounts as they are required to deduct and withhold under any provision of Tax Law. Upon determining that any such deduction or withholding may be required, Parent, Merger Sub, the Company or the Surviving Entity, as applicable, shall promptly notify Stockholder Representative and give Stockholder Representative reasonable time to provide forms or other certifications to reduce or eliminate such deduction or withholding. To the extent that amounts are so deducted and withheld and paid over to the appropriate Governmental Authority, such amounts shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding was made. This Section 2.12 shall apply regardless of whether amounts are payable on or after the Closing Date.

Section 2.13 Working Capital Adjustment.

(a) Closing Adjustment.

(i) At least three Business Days before the Closing, the Company shall prepare and deliver to Parent a statement setting forth its good faith estimate of Closing Net Liability (the "**Estimated Closing Liability**") and an estimated balance sheet of the Company as of the Closing Date (without giving effect to the transactions contemplated herein) (the "**Estimated Closing Liability Statement**") prepared in good faith in accordance with the Company's past practices used in the Annual Financial Statements and Exhibit C. Exhibit C attached hereto is a sample Closing Net Liability calculation as of September 1, 2021, based on estimated adjustments to the Company's July 31, 2021 balance sheet, prepared by the Company solely as an illustrative example of the accounts, methodology and adjustments to be used in the calculation of Closing Net Liability; *provided however*, that if there are any conflicts between Exhibit C and GAAP, GAAP shall govern.

(ii) The "**Estimated Closing Adjustment**" shall be an amount, if any, by which the Estimated Closing Liability is greater than $750,000 (the "**Target Closing Liabilities**").

(b) Post-Closing Adjustment.

(i) Within 90 days after the Closing Date, Parent shall prepare and deliver to Stockholder Representative a good faith statement setting forth its calculation of Closing Net Liability (the "**Closing Liability Statement**") in accordance with GAAP.

(ii) The "**Post-Closing Adjustment**" shall be an amount, if any, by which the Closing Net Liability is greater than the greater of (A) Estimated Closing Liability or (B) Target Closing Liabilities.

(iii) If Parent fails to deliver the Closing Liability Statement to Stockholder Representative within 120 days after the Closing Date or otherwise waives the Post-Closing Adjustment in writing to Stockholder Representative, the Post-Closing Adjustment shall be zero.

(c) Examination and Review.

(i) Examination. After receipt of the Closing Liability Statement, Stockholder Representative shall have 30 days (the "**Review Period**") to review the Closing Liability Statement. During the Review Period, Stockholder Representative and its accountants shall have reasonable access to the work papers prepared by Parent, the Surviving Entity and/or their respective accountants to the extent that they relate to the Closing Liability Statement and to such historical financial information (to the extent in Parent's or the Surviving Entity's possession) relating to the Closing Liability Statement as Stockholder Representative may reasonably request for the purpose of reviewing the Closing Liability Statement and to prepare a Statement of Objections (defined below), *provided*, *that* such access shall be in a manner that does not unreasonably interfere with the normal business operations of Parent or the Surviving Entity.

(ii) Objection. On or prior to the last day of the Review Period, Stockholder Representative may object to the Closing Liability Statement by delivering to Parent a written statement setting forth its objections in reasonable detail, indicating each disputed item or amount and the basis for its disagreement therewith (the "**Statement of Objections**"). If Stockholder Representative fails to deliver the Statement of Objections before the expiration of the Review Period, the Closing Liability Statement and the Post-Closing Adjustment, as the case may be, reflected in the Closing Liability Statement shall be deemed to have been accepted by Stockholder Representative. If Stockholder Representative delivers the Statement of Objections before the expiration of the Review Period, Parent and Stockholder Representative shall negotiate in good faith to resolve such objections within 30 days after the delivery of the Statement of Objections (the "**Resolution Period**"), and, if the same are so resolved within the Resolution Period, the Post-Closing Adjustment and the Closing Liability Statement with such changes as may have been previously agreed in writing by Parent and Stockholder Representative, shall be final and binding.

(iii) Resolution of Disputes. If Stockholder Representative and Parent fail to reach an agreement with respect to all of the matters set forth in the Statement of Objections before expiration of the Resolution Period, then any amounts remaining in dispute ("**Disputed Amounts**" and any amounts not so disputed, the "**Undisputed Amounts**") shall be submitted for resolution to the office of an impartial nationally recognized firm of independent certified public accountants to be mutually agreed upon by Parent and Stockholder Representative (the "**Independent Accountant**") who, acting as experts and not arbitrators, shall resolve the Disputed Amounts only and make any adjustments to the Post-Closing Adjustment, as the case may be, and the Closing Liability Statement. The parties hereto agree that all adjustments shall be made without regard to materiality. The Independent Accountant shall only decide the specific items under dispute by the parties and their decision for each Disputed Amount must be within the range of values assigned to each such item in the Closing Liability Statement and the Statement of Objections, respectively.

(iv) Fees of the Independent Accountant. The fees and expenses of the Independent Accountant shall be paid in advance and be borne one half by the Stockholder Representative (on behalf of the Stockholders), on the one hand, and one half by Parent, on the other hand; provided that the fees and expenses of the Independent Accountant to be borne by the Stockholder Representative shall be paid by Parent and Parent shall recover such amount by cancelling a number of Escrow Shares determined by dividing the dollar amount of such fees and expenses paid by Parent on the Stockholder Representative's behalf by the Share Price, rounded to the nearest Escrow Share.

(v) Determination by Independent Accountant. The Independent Accountant shall make a determination as soon as practicable within 30 days (or such other time as Parent and Stockholder Representative shall agree in writing) after their engagement, and their resolution of the Disputed Amounts and their adjustments to the Closing Liability Statement and/or the Post-Closing Adjustment shall be conclusive and binding upon the parties hereto.

(d) Payment of Post-Closing Adjustment.

(i) If there is a Post-Closing Adjustment finally determined in accordance with this Section 2.13, Parent shall cancel a number of Escrow Shares determined by dividing the Post-Closing Adjustment by the Share Price rounded to the nearest share.

(ii) If the Estimated Closing Liability was greater than $750,000, but the Closing Net Liability was less than the Estimated Closing Liability, then Parent shall pay to each Stockholder holding Company Common Stock immediately prior to the Effective Time its Adjusted Pro Rata Share of the aggregate number of Parent Shares equal to (A) the Estimated Closing Liability less the greater of (1) the Closing Net Liability and (2) $750,000 divided by (b) the Share Price (the "**True-Up Adjustment**") within five Business Days after the final determination of such amount.

(e) Adjustments for Tax Purposes. Any payments made pursuant to Section 2.14 shall be treated as an adjustment to the Merger Consideration by the parties for Tax purposes, unless otherwise required by Law.

Section 2.14 Consideration Spreadsheet.

(a) At least three Business Days before the Closing and concurrently with the delivery of the Estimated Closing Liability Statement, the Company shall prepare and deliver to Parent a spreadsheet (the "**Consideration Spreadsheet**"), certified by the Chief Executive Officer of the Company, which shall set forth, as of the Closing Date and immediately prior to the Effective Time, the following:

(i) the names and addresses of all Stockholders and the number of shares of Company Stock held by such Persons, which shall include all shares of Company Common Stock issued or to be issued immediately prior to the Effective Time upon exercise of Options and all shares of Company Note Conversion Common Stock to be issued immediately prior to the Effective Time upon conversion of Convertible Notes;

(ii) detailed calculations of the Closing Base Merger Consideration, Fully Diluted Share Number, Company Common Stock Share Number;

(iii) each Stockholder's allocation of the Closing Base Merger Consideration determined in accordance with Section 2.08(b)(i);

(iv) each Stockholder's allocation of the Series A Warrants determined in accordance with Section 2.08(b)(i);

(v) each Stockholder's allocation of the Series B Warrants determined in accordance with Section 2.08(b)(i);

(vi) each Stockholder's allocation of the Escrow Shares determined in accordance with Section 2.08(b)(i).

(b) The parties agree that Parent and Merger Sub shall be entitled to rely on the Consideration Spreadsheet in making payments under Article II and Parent and Merger Sub shall not be responsible for the calculations or the determinations regarding such calculations in such Consideration Spreadsheet.

Section 2.15 Fractional Shares. No certificates or scrip representing fractional Parent Shares shall be issued upon the conversion of Company Stock and such fractional share interests shall not entitle the owner thereof to vote or to any other rights of a holder of Parent Shares. Notwithstanding any other provision of this Agreement, each Stockholder who would otherwise have been entitled to receive a fraction of a Parent Share (after taking into account all shares of Company Stock exchanged by such Stockholder, including shares of Company Common Stock issued upon exercise of Options and shares of Company Note Conversion Common Stock issued upon conversion of Convertible Notes) shall in lieu thereof be rounded to the nearest Parent Share. Notwithstanding the foregoing, the parties understand and agree that the Series A Warrants and Series B Warrants issuable as part of the Merger Consideration will be issued to Stockholders reflecting the fractional share to which each such Stockholder would otherwise be entitled to exercise, and any ultimate issuance of a fractional share upon exercise of any such warrant will be determined in accordance with the applicable terms of such warrant.

Section 2.16 Release of Escrow Shares.

(a) Within ten days after the six month anniversary of the Closing Date, Parent shall release to the Stockholders 235,000 of the Escrow Shares less (i) such number of Escrow Shares that have been previously cancelled pursuant to the terms of this Agreement and (ii) such number of Escrow Shares multiplied by the Share Price as is necessary to equal the amount of any outstanding claims against the Stockholders as of the six month anniversary of the Closing Date.

(b) Within ten days after the one year anniversary of the Closing Date, Parent shall release to the Stockholders any Escrow Shares that have not either been previously issued pursuant to Section 2.16(a) or cancelled pursuant to the terms of this Agreement less such number of Escrow Shares multiplied by the Share Price as is necessary to equal the amount of any outstanding claims against the Stockholders as of the one year anniversary of the Closing Date.

(c) Following the six month anniversary of the Closing Date, within ten days after any claim against the Stockholders for which Escrow Shares have been retained pursuant to Section 2.16(a) or Section 2.16(b) have been finally resolved in accordance with the terms thereof, Parent shall release to the Stockholders any Escrow Shares theretofore being retained by Parent pursuant to Section 2.16(a) or Section 2.16(b) with respect to such claim, as applicable, that are not being cancelled pursuant to the terms of this Agreement in connection with the final resolution of such claim.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as set forth in the correspondingly numbered Section of the Disclosure Schedules, the Company represents and warrants to Parent that the statements contained in this Article III are true and correct as of the date hereof and as of immediately prior to the Effective Time.

Section 3.01 Organization and Qualification of the Company. The Company is a corporation duly organized, validly existing and in good standing under the Laws of the state of Nevada and has full corporate power and authority to own, operate or lease the properties and assets now owned, operated or leased by it and to carry on its business as it has been and is currently conducted. Section 3.01 of the Disclosure Schedules sets forth each jurisdiction in which the Company is licensed or qualified to do business, and the Company is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the properties owned or leased by it or the operation of its business as currently conducted makes such licensing or qualification necessary, except where the failure to be so licensed, qualified or in good standing would not have a material cost or other effect on the Company.

Section 3.02 Authority; Board Approval.

(a) The Company has full corporate power and authority to enter into and perform its obligations under this Agreement and the Ancillary Documents to which it is a party and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by the Company of this Agreement and any Ancillary Document to which it is a party and the consummation by the Company of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of the Company and no other corporate proceedings on the part of the Company are necessary to authorize the execution, delivery and performance of this Agreement or to consummate the Merger and the other transactions contemplated hereby and thereby. This Agreement has been duly executed and delivered by the Company, and (assuming due authorization, execution and delivery by each other party hereto) this Agreement constitutes a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms. When each Ancillary Document to which the Company is or will be a party has been duly executed and delivered by the Company (assuming due authorization, execution and delivery by each other party thereto other than Stockholders, Optionholders or Convertible Note Holders), such Ancillary Document will constitute a legal and binding obligation of the Company enforceable against the Company in accordance with its terms. When this Agreement and each Ancillary Document (other than the Founders Agreements) to which any Stockholder, Optionholder or Convertible Note Holder is or will be a party thereto has been duly executed and delivered by the Stockholder(s), Optionholder(s) or Convertible Note Holder(s) party thereto (assuming due authorization, execution and delivery by each other party thereto other than the Company and any Stockholder, Optionholder or Convertible Note Holder), this Agreement and each such Ancillary Document (other than the Founders Agreements) will constitute a legal and binding obligation of each such Stockholder, Optionholder or Convertible Note Holder a party thereto enforceable against such Persons in accordance with its terms.

(b) The Company Board, by resolutions duly adopted by unanimous vote at a meeting of all directors of the Company duly called and held or by unanimous written consent in lieu thereof and, not subsequently rescinded or modified in any way, has (i) adopted this Agreement and determined that the transactions contemplated hereby, including the Merger, are fair to, and in the best interests of, the Stockholders, (ii) recommended that the Stockholders approve this Agreement, and (iii) directed that such matter be submitted for consideration of the Stockholders.

Section 3.03 No Conflicts; Consents. The execution, delivery and performance by the Company of this Agreement and the Ancillary Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, including the Merger, do not and will not: (i) conflict with or result in a violation or breach of, or default under, any provision of the articles of incorporation, bylaws or other organizational documents of the Company ("**Company Charter Documents**"); (ii) conflict with or result in a violation or breach of any provision of any Law or Governmental Order applicable to the Company; (iii) except as set forth in Section 3.03 of the Disclosure Schedules, require the consent, notice or other action by any Person under, conflict with, result in a violation or breach of, constitute a default or an event that, with or without notice or lapse of time or both, would constitute a default under, result in the acceleration of or create in any party the right to accelerate, terminate, modify or cancel any Material Contract or any material Permit affecting the properties, assets or business of the Company; or (iv) result in the creation or imposition of any material Encumbrance other than Permitted Encumbrances on any properties or assets of the Company. No consent, approval, Permit, Governmental Order, declaration or filing with, or notice to, any Governmental Authority is required by or with respect to the Company in connection with the execution, delivery and performance of this Agreement and the Ancillary Documents and the consummation of the transactions contemplated hereby and thereby, except for the filing of the NV Certificate of Merger with the Secretary of State of Nevada and the DE Certificate of Merger with the Secretary of State of Delaware.

Section 3.04 Capitalization.

(a) The authorized capital stock of the Company consists of 70,000,000 shares of capital stock, par value $0.001 per share, of which 25,000,000 shares are designated Company Common Stock and 45,000,000 shares are designated Company Note Conversion Common Stock. As of the date of this Agreement, (i) 9,303,333 shares of Company Common Stock are outstanding, (ii) 1,240,000 shares of Company Common Stock are subject to outstanding Options and (iii) no shares of Company Note Conversion Common Stock are outstanding. No certificates have been issued with respect to any outstanding shares of Company Stock or will be issued with respect to any shares of Company Stock to be issued upon exercise of Options or conversion of Convertible Notes immediately prior to the Effective Time.

(b) Section 3.04(b) of the Disclosure Schedules sets forth, as of the date of this Agreement, (i) a list of the holders of Company Common Stock, (ii) a list of the holders of all outstanding Options and the number of Options held thereby, and (iii) a list of the holders of the outstanding Convertible Notes and the outstanding principal amount of Convertible Notes held thereby. Not more than 35 of the Stockholders, including those Persons who will become Stockholders upon exercise of Options or conversion of Convertible Notes, are not Accredited Investors.

(c) **Each Stockholder has been informed or will be informed prior to the Effective Time that Parent is publicly traded and its financial statements and other information publicly filed by Parent regarding its business are available at www.sec.gov. The Company has made available to each Stockholder all of the information regarding the Company and the transactions contemplated by this Agreement that a Stockholder needs in order to make an informed decision regarding the transactions contemplated by this Agreement. The Stockholder Representative is serving as the "purchaser representative" with respect to any Stockholders who are not Accredited Investors and the Stockholder Representative is available to answer any questions any Stockholder may have regarding the transactions contemplated hereby. The manager(s) of the Stockholder Representative has sufficient experience in financial and business matters to be capable of evaluating the merits and risks of the transactions contemplated by this Agreement.**

(d) Each Option was granted in compliance with all applicable Laws and all of the terms and conditions of the Stock Option Plan pursuant to which it was issued. Each Option was granted with an exercise price per share equal to or greater than the fair market value of the underlying shares on the date of grant. Each Option qualifies for the Tax and accounting treatment afforded to such Option in the Company's Tax Returns and the Company's financial statements, respectively, and does not trigger any liability for the Optionholder under Section 409A of the Code. The Company has heretofore provided or made available to Parent (or Parent's Representatives) true and complete copies of the standard form of option agreement, any stock option agreements that differ from such standard form and all 409A valuation reports prepared for the Company, if any.

(e) Each Convertible Note was issued in compliance with all applicable Laws. Each Convertible Note Holder has executed or is otherwise bound by the Convertible Note Amendment.

(f) Other than the Options and the Convertible Notes, (i) no subscription, warrant, option, convertible or exchangeable security, or other right (contingent or otherwise) to purchase or otherwise acquire equity securities of the Company is authorized or outstanding, and (ii) there is no commitment by the Company to issue shares, subscriptions, warrants, options, convertible or exchangeable securities, or other such rights or to distribute to holders of any of its equity securities any evidence of indebtedness or asset, to repurchase or redeem any securities of the Company or to grant, extend, accelerate the vesting of, change the price of, or otherwise amend any warrant, option, convertible or exchangeable security or other such right. There are no declared or accrued unpaid dividends with respect to any shares of Company Stock.

(g) All issued and outstanding shares of Company Stock are, and all shares of Company Common Stock which may be issued pursuant to the exercise of Options and all shares of Company Note Conversion Common Stock which may be issued pursuant to the conversion of any Convertible Notes, when issued in accordance with the applicable security, will be (i) duly authorized, validly issued, fully paid and non-assessable; (ii) not subject to any preemptive rights created by statute, the Company Charter Documents or any agreement to which the Company is a party; and (iii) free of any Encumbrances created by the Company in respect thereof. All issued and outstanding shares of Company Stock, Options and Convertible Notes were issued in compliance with applicable Law.

(h) No outstanding Company Stock is subject to vesting or forfeiture rights or repurchase by the Company. There are no outstanding or authorized stock appreciation, dividend equivalent, phantom stock, profit participation or other similar rights with respect to the Company or any of its securities.

(i) All distributions, dividends, repurchases and redemptions of the capital stock (or other equity interests) of the Company were undertaken in compliance with the Company Charter Documents then in effect, any agreement to which the Company then was a party and in compliance with applicable Law.

Section 3.05 No Subsidiaries. The Company does not own or have any interest in (and has never owned or had any interest in) any shares, equity or other ownership interest in any other Person.

Section 3.06 Financial Statements. Complete copies of the Company's unaudited financial statements consisting of the balance sheet of the Company as at December 31 in each of the years 2018, 2019 and 2020 and the related statements of income and retained earnings, stockholders' equity and cash flow for the years then ended (the "**Annual Financial Statements**"), and financial statements consisting of the balance sheet of the Company as at June 30, 2021, and the related statements of income and retained earnings, stockholders' equity and cash flow for the six-month period then ended (the "**Interim Financial Statements**" and together with the Annual Financial Statements, the "**Financial Statements**") have been delivered to Parent. The Financial Statements have been prepared on a modified accrual basis applied on a consistent basis throughout the periods involved, subject, in the case of the Interim Financial Statements, to normal and recurring year-end adjustments (the effect of which will not be materially adverse) and, in all cases, the absence of notes. The Financial Statements are based on the books and records of the Company, and fairly present in all material respects the financial condition of the Company as of the respective dates they were prepared and the results of the operations of the Company for the periods indicated. The balance sheet of the Company as of December 31, 2020 is referred to herein as the "**Balance Sheet**" and the date thereof as the "**Balance Sheet Date**" and the balance sheet of the Company as of June 30, 2021, is referred to herein as the "**Interim Balance Sheet**" and the date thereof as the "**Interim Balance Sheet Date**".

Section 3.07 Undisclosed Liabilities. The Company has no liabilities, obligations or commitments of any nature whatsoever, asserted or unasserted, known or unknown, absolute or contingent, accrued or unaccrued, matured or unmatured or otherwise ("**Liabilities**"), except (a) those which are adequately reflected or reserved against in the Interim Balance Sheet as of the Interim Balance Sheet Date, (b) those which have been incurred in the ordinary course of business consistent with past practice since the Interim Balance Sheet Date and which are not, individually or in the aggregate, material in amount, (c) obligations under Contracts to be performed after the date of this Agreement that are not the result of any breach of or default under such Contract or failure to perform any obligation under such Contracts prior to the date of this Agreement, and (d) Transaction Expenses.

Section 3.08 Absence of Certain Changes, Events and Conditions. Since the Balance Sheet Date, there has not been, with respect to the Company, any:

(a) event, occurrence or development that has had, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company;

(b) amendment of the charter, bylaws or other organizational documents of the Company;

(c) split, combination or reclassification of any shares of its capital stock;

(d) issuance, sale or other disposition of any of its capital stock (other than in connection with the exercise of Options or the conversion of the Convertible Notes), or grant of any options, warrants or other rights to purchase or obtain (including upon conversion, exchange or exercise) any of its capital stock;

(e) declaration or payment of any dividends or distributions on or in respect of any of its capital stock or redemption, purchase or acquisition of its capital stock;

(f) material change in any method of accounting or accounting practice of the Company, except as required by GAAP or as disclosed in the notes to the Financial Statements;

(g) material change in the Company's cash management practices and its policies, practices and procedures with respect to collection of accounts receivable, establishment of reserves for uncollectible accounts, accrual of accounts receivable, inventory control, prepayment of expenses, payment of trade accounts payable, accrual of other expenses, deferral of revenue and acceptance of customer deposits;

(h) entry into any Contract that would constitute a Material Contract;

(i) incurrence, assumption or guarantee of any indebtedness for borrowed money other than PPP Loan #2;

(j) transfer, assignment, sale or other disposition of any of the assets shown or reflected in the Balance Sheet or cancellation of any debts or entitlements;

(k) transfer or assignment of or grant of any license or sublicense under or with respect to any Company Intellectual Property or Company IP Agreements;

(l) abandonment or lapse of or failure to maintain in full force and effect any Company IP Registration;

(m) material damage, destruction or loss (whether or not covered by insurance) to its property;

(n) any capital investment in, or any loan to, any other Person;

(o) acceleration, termination, material modification to or cancellation of any Material Contract;

(p) any material capital expenditures;

(q) imposition of any material Encumbrance upon any of the Company properties, capital stock or assets, tangible or intangible;

(r) (i) grant of any bonuses, whether monetary or otherwise, or increase in any wages, salary, severance, pension or other compensation or benefits in respect of its current or former employees, officers, directors, independent contractors or consultants, other than as provided for in any written agreements or required by applicable Law, (ii) change in the terms of employment for any employee or any termination of any employees for which the aggregate costs and expenses exceed $20,000, or (iii) action to accelerate the vesting (other than vesting of restricted Company Stock and the Options in accordance with the Closing) or payment of any compensation or benefit for any current or former employee, officer, director, independent contractor or consultant;

(s) hiring or promoting any person;

(t) adoption, modification or termination of any: (i) employment, severance, retention or other agreement with any current or former employee, officer, director, independent contractor or consultant, (ii) benefit plan or program for any current or former employee, officer, director, retiree, independent contractor or consultant of the Company, or (iii) collective bargaining or other agreement with a Union, in each case whether written or oral;

(u) any loan to (or forgiveness of any loan to), or entry into any other transaction with, any of its stockholders or current or former directors, officers and employees;

(v) entry into a new line of business or abandonment or discontinuance of existing lines of business;

(w) except for the Merger, adoption of any plan of merger, consolidation, reorganization, liquidation or dissolution or filing of a petition in bankruptcy under any provisions of federal or state bankruptcy Law or consent to the filing of any bankruptcy petition against it under any similar Law;

(x) purchase, lease or other acquisition of the right to own, use or lease any property or assets for an amount in excess of $20,000, individually (in the case of a lease, per annum) or $50,000 in the aggregate (in the case of a lease, for the entire term of the lease, not including any option term), except for purchases of inventory or supplies in the ordinary course of business consistent with past practice;

(y) acquisition by merger or consolidation with, or by purchase of a substantial portion of the assets or stock of, or by any other manner, any business or any Person or any division thereof;

(z) action by the Company to (i) make, change or rescind any Tax election, (ii) amend any Tax Return , (iii) change any Tax accounting method or annual accounting period for Taxes, (iv) enter into any Tax allocation agreement, Tax sharing agreement, Tax indemnity agreement, closing agreement, or settlement or compromise of any claim or assessment in respect of Taxes, (v) consent to the extension or waiver of the limitation period applicable to the assessment or collection of any Taxes, (vi) surrender any right to claim a refund of Taxes, or (vii) fail to timely pay when due any Tax; or

(aa) any Contract to do any of the foregoing, or any action or omission that would result in any of the foregoing.

Section 3.09 Material Contracts.

(a) Section 3.09(a) of the Disclosure Schedules lists each of the following Contracts of the Company (such Contracts, together with all Contracts concerning the occupancy, management or operation of any Real Property (including without limitation, brokerage contracts) listed or otherwise required to be disclosed in Section 3.10(b) of the Disclosure Schedules being "**Material Contracts**"):

(i) each Contract of the Company involving aggregate consideration in excess of $25,000 and which, in each case, cannot be cancelled by the Company without penalty or without more than 30 days' notice;

(ii) all Contracts that require the Company to purchase its total requirements of any product or service from a third party or that contain "take or pay" provisions;

(iii) all Contracts that provide for the indemnification by the Company of any Person other than commercial agreements entered into for other purposes in the ordinary course of business;

(iv) all Contracts that provide for the assumption of any Tax, environmental or other Liability of any Person;

(v) all Contracts that relate to the acquisition or disposition of any business, or a material amount of stock or assets, of any other Person or any real property (whether by merger, sale of stock, sale of assets or otherwise);

(vi) all broker, distributor, dealer, manufacturer's representative, franchise, agency, sales promotion, market research, marketing consulting and advertising Contracts to which the Company is a party;

(vii) all employment agreements;

(viii) all Contracts with independent contractors or consultants (or similar arrangements) to which the Company is a party and which are not cancellable without material penalty or without more than 30 days' notice;

(ix) except for Contracts relating to trade payables or the Convertible Notes, all Contracts relating to indebtedness (including, without limitation, guarantees) of the Company;

(x) all Contracts with any Governmental Authority to which the Company is a party ("**Government Contracts**");

(xi) all Contracts that limit or purport to limit the ability of the Company to compete in any line of business or with any Person or in any geographic area or during any period of time;

(xii) any Contracts to which the Company is a party that provide for any joint venture, partnership or similar arrangement by the Company;

(xiii) all collective bargaining agreements or Contracts with any Union to which the Company is a party;

(xiv) all Company IP Agreements, other than (A) nonexclusive inbound licenses, terms of service, terms of use and similar agreements for commercially available off-the-shelf software, services or software-as-a-service platforms for which no more than $10,000 is payable on an annual basis, (B) nonexclusive, non-negotiated licenses, software-as-a-service agreements or similar Contracts granted by the Company to its customers in the ordinary course of business consistent with past practice, (C) Contracts where the only material licenses to Company Intellectual Property are with respect to feedback, suggestions, or the Company's trademarks for inclusion on customer lists or use in the provision of services, and (D) agreements otherwise covered in another subsection of this Section 3.09(a); and

(xv) any other Contract that is material to the Company and not previously disclosed pursuant to this Section 3.09.

(b) Each Material Contract is valid and binding on the Company in accordance with its terms and is in full force and effect. None of the Company or, to the Company's Knowledge, any other party thereto is in breach of or default under (or is alleged to be in breach of or default under), or has provided or received any notice of any intention to terminate, any Material Contract. No event or circumstance has occurred that, with notice or lapse of time or both, would constitute an event of default by the Company or, to the Company's Knowledge, by any other party under any Material Contract or result in a termination thereof or would cause or permit the acceleration or other changes of any right or obligation or the loss of any benefit thereunder. Complete and correct copies of each Material Contract (including all modifications, amendments and supplements thereto and waivers thereunder) have been made available to Parent.

(c) Except as set forth on Section 3.09(c) of the Disclosure Schedules, the Company has no oral Contracts. If any Contracts are listed on Section 3.09(c) of the Disclosure Schedules, a complete and correct description of all terms of such Contract is included.

Section 3.10 Title to Assets; Real Property.

(a) The Company has good and valid title to, or a valid leasehold interest in, all Real Property and personal property and other assets reflected in the Interim Financial Statements or acquired after the Interim Balance Sheet Date, other than properties and assets sold or otherwise disposed of in the ordinary course of business consistent with past practice since the Interim Balance Sheet Date. All such properties and assets (including leasehold interests) are free and clear of Encumbrances except for the following (collectively referred to as "**Permitted Encumbrances**"):

(i) those items set forth in Section 3.10(a) of the Disclosure Schedules;

(ii) statutory liens for Taxes not yet due and payable; and

(iii) mechanics, carriers', workmen's, repairmen's or other like liens arising or incurred in the ordinary course of business consistent with past practice or amounts that are not delinquent and which are not, individually or in the aggregate, material to the business of the Company.

(b) The Company owns no real property. Section 3.10(b) of the Disclosure Schedules lists the street address of each parcel of Real Property leased or subleased by the Company, the landlord under the lease or sublease, the rental amount currently being paid, the expiration of the term of such lease or sublease for each leased or subleased property, and the current use of such property. With respect to leased Real Property, the Company has delivered or made available to Parent true, complete and correct copies of any leases affecting the Real Property. Except as expressly disclosed in Section 3.10(b) of the Disclosure Schedules, the Company is not a sublessor or grantor under any sublease or other instrument granting to any other Person any right to the possession, lease, occupancy or enjoyment of any leased Real Property. The use and operation of the Real Property in the conduct of the Company's business do not violate in any material respect any Law, covenant, condition, restriction, easement, license, permit or agreement. To the Company's Knowledge, there are no Actions pending or threatened against or affecting the Real Property or any portion thereof or interest therein in the nature or in lieu of condemnation or eminent domain proceedings.

Section 3.11 Condition of Assets. Except as set forth in Section 3.11 of the Disclosure Schedules, the buildings, plants, structures, furniture, fixtures, machinery, equipment, vehicles and other items of tangible personal property of the Company are in good operating condition and repair (ordinary wear and tear excepted), and are adequate for the uses to which they are being put, and, to the Company's Knowledge, none of such buildings, plants, structures, furniture, fixtures, machinery, equipment, vehicles and other items of tangible personal property is structurally unsound or is in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in nature or cost. No maintenance has been deferred on any of such items since January 1, 2021. The buildings, plants, structures, furniture, fixtures, machinery, equipment, vehicles and other items of tangible personal property currently owned or leased by the Company, together with all other properties and assets of the Company, are sufficient for the continued conduct of the Company's business after the Closing in substantially the same manner as conducted prior to the Closing and constitute all of the rights, property and assets necessary to conduct the business of the Company as currently conducted.

Section 3.12 Intellectual Property.

(a) Section 3.12(a) of the Disclosure Schedules contains a correct and complete list of: (i) all Company IP Registrations, specifying as to each, as applicable: the title, mark, or design; the record owner; the jurisdiction by or in which it has been issued, registered, or filed; the patent, registration, or application serial number; and the issue, registration, or filing date; and the current status; (ii) all unregistered Trademarks included in the Company Intellectual Property; and (iii) all proprietary Software of the Company.

(b) The Company is the sole and exclusive legal, record and beneficial owner of all right, title and interest in and to the Company Intellectual Property, and has the valid and enforceable right to use all other Intellectual Property used or held for use in the Company's business as currently conducted, in each case, free and clear of Encumbrances other than Permitted Encumbrances. Except as disclosed in Section 3.12(b) of the Disclosure Schedules, the Company has entered into binding, valid and enforceable, written Contracts with each current and former employee and independent contractor who has contributed in any manner to the creation or development of any Company Intellectual Property whereby such employee or independent contractor assigns any ownership interest such employee or independent contractor may have in or to such Company Intellectual Property. All assignments and other instruments necessary to establish, record, and perfect the Company's ownership interest in the Company IP Registrations have been validly executed, delivered, and filed with the relevant Governmental Authorities or authorized registrars.

(c) Neither the execution, delivery or performance of this Agreement, nor the consummation of the transactions contemplated hereunder, will result in the loss or impairment of, or require the consent of any other Person in respect of, the Company's right to own or use any Company Intellectual Property or Licensed Intellectual Property.

(d) All of the Company Intellectual Property, and to the Company's Knowledge, the Licensed Intellectual Property, is valid and enforceable. All Company IP Registrations are subsisting and in full force and effect. The Company has taken reasonable steps to maintain and enforce the Company Intellectual Property and Licensed Intellectual Property and to preserve the confidentiality of all Trade Secrets included in the Company Intellectual Property, including by requiring all Persons having access thereto to execute binding, written non-disclosure agreements. All required filings and fees related to the Company IP Registrations have been timely submitted with and paid to the relevant Governmental Authorities or authorized registrars. Section 3.12(d) of the Company Disclosure Schedule is a complete and accurate list of all actions that must be taken by the Company within one hundred twenty (120) days of the Closing Date with respect to any of the Company IP Registrations.

(e) No Person has asserted or threatened a claim in writing, nor has the Company received any notification that the conduct of the Company's business as currently and formerly conducted or as proposed to be conducted, including the use of the Company Intellectual Property and Licensed Intellectual Property in connection therewith, or the products, processes and services of the Company have infringed, misappropriated or otherwise violated, or will infringe, misappropriate or otherwise violate, the Intellectual Property or other rights of any Person. To the Company's Knowledge, no Person has infringed, misappropriated or otherwise violated any Company Intellectual Property or Licensed Intellectual Property.

(f) Except as disclosed in Section 3.12(f) of the Disclosure Schedule, there are no Actions (including any opposition, cancellation, revocation, review or other proceeding) pending or, to the Company's Knowledge threatened (including in the form of offers to obtain a license) in writing: (i) alleging any infringement, misappropriation, or other violation by the Company of the Intellectual Property of any Person; (ii) challenging the validity, enforceability, registrability, patentability, or ownership of any Company Intellectual Property or Licensed Intellectual Property or the Company's right, title, or interest in or to any Company Intellectual Property or Licensed Intellectual Property; or (iii) by the Company or by the owner of any Licensed Intellectual Property alleging any infringement, misappropriation or other violation by any Person of the Company Intellectual Property or such Licensed Intellectual Property. The Company is not aware of any facts or circumstances that could reasonably be expected to give rise to such Action. The Company is not subject to any outstanding or prospective Governmental Order (including any motion or petition therefor) that does or could reasonably be expected to restrict or impair the use of any Company Intellectual Property or Licensed Intellectual Property.

(g) Section 3.12(g) of the Disclosure Schedules contains a correct, current, and complete list of all Company social media accounts. The Company has complied with all terms of use, terms of service, and other Contracts and all associated policies and guidelines relating to its use of any such social media platforms, sites, or services (collectively, "**Platform Agreements**"). There are no Actions, whether settled, pending, or threatened, alleging any (A) breach or other violation of any Platform Agreement by the Company; or (B) defamation, violation of publicity rights of any Person, or any other violation by the Company in connection with its use of social media.

(h) All Company IT Systems are in good working condition and are sufficient for the operation of the Company's business as currently conducted and as proposed to be conducted. There has been no malfunction, failure, continued substandard performance, denial-of-service, or other cyber incident, including any cyberattack, or other impairment of the Company IT Systems that has resulted or is reasonably likely to result in disruption or damage to the business of the Company. The Company has taken all commercially reasonable steps to safeguard the confidentiality, availability, security, and integrity of the Company IT Systems, including implementing and maintaining appropriate backup, disaster recovery.

(i) The Company has complied in all material respects with all applicable Laws and all Company internal or publicly posted policies, notices, and statements concerning the collection, use, processing, storage, transfer, and security of personal information in the conduct of the Company's business. The Company has not (i) experienced any actual or suspected (by the Company) data breach or other security incident involving personal information in its possession or control or (ii) been subject to or received any notice of any audit, investigation, complaint, or other Action by any Governmental Authority or other Person concerning the Company's collection, use, processing, storage, transfer, or protection of personal information or actual, alleged, or suspected violation of any applicable Law concerning privacy, data security, or data breach notification, and to the Company's Knowledge, there are no facts or circumstances that could reasonably be expected to give rise to any such Action.

Section 3.13 Inventory. All inventory of the Company, whether or not reflected in the Interim Balance Sheet and the Estimated Closing Liability Statement, consists of a quality and quantity usable and salable in the ordinary course of business consistent with past practice, except for obsolete, damaged, defective or slow-moving items that have been written off or written down to fair market value or for which adequate reserves have been established. All such inventory is owned by the Company free and clear of all Encumbrances other than Permitted Encumbrances, and no inventory is held on a consignment basis. The quantities of each item of inventory (whether raw materials, work-in-process or finished goods) are not excessive, but are reasonable in the present circumstances of the Company.

Section 3.14 Accounts Receivable. The accounts receivable reflected on the Interim Balance Sheet and the Estimated Closing Liability Statement (a) have arisen from bona fide transactions entered into by the Company involving the sale of goods or the rendering of services in the ordinary course of business consistent with past practice; and (b) constitute only valid, undisputed claims of the Company not subject to claims of set-off or other defenses or counterclaims other than normal cash discounts accrued in the ordinary course of business consistent with past practice; and (c) are collectible within 90 days of Closing.

Section 3.15 Customers and Suppliers.

(a) Section 3.15(a) of the Disclosure Schedules sets forth (i) each customer who has paid aggregate consideration to the Company for goods or services rendered in an amount greater than or equal to $25,000 for the most recent fiscal year or during the current fiscal year (collectively, the "**Material Customers**"); and (ii) the amount of consideration paid by each Material Customer during such periods. The Company has not received any written notice that any of its Material Customers has ceased, or intends to cease after the Closing, to use its goods or services or to otherwise terminate or materially reduce its relationship with the Company.

(b) Section 3.15(b) of the Disclosure Schedules sets forth (i) each supplier to whom the Company has paid consideration for goods or services rendered in an amount greater than or equal to $50,000 for the most recent fiscal year or during the current fiscal year (collectively, the "**Material Suppliers**"); and (ii) the amount of purchases from each Material Supplier during such periods. The Company has not received any written notice that any of its Material Suppliers has ceased, or intends to cease, to supply goods or services to the Company or to otherwise terminate or materially reduce its relationship with the Company.

Section 3.16 Insurance. Section 3.16 of the Disclosure Schedules sets forth a true and complete list of all current policies or binders of fire, liability, product liability, umbrella liability, real and personal property, workers' compensation, vehicular, directors' and officers' liability, fiduciary liability and other casualty and property insurance maintained by Company and relating to the assets, business, operations, employees, officers and directors of the Company (collectively, the "**Insurance Policies**") and true and complete copies of such Insurance Policies have been made available to Parent. Such Insurance Policies are in full force and effect and shall remain in full force and effect following the consummation of the transactions contemplated by this Agreement. The Company has not received any written notice of cancellation of, premium increase with respect to, or alteration of coverage under, any of such Insurance Policies. All premiums due on such Insurance Policies have either been paid or, if due and payable prior to Closing, will be paid prior to Closing in accordance with the payment terms of each Insurance Policy. The Insurance Policies do not provide for any retrospective premium adjustment or other experience-based liability on the part of the Company. All such Insurance Policies (a) are provided by carriers that have an insurer rating of A (Excellent) or better; and (b) have not been subject to any lapse in coverage. Except as set forth on Section 3.16 of the Disclosure Schedules, there are no claims related to the business of the Company pending under any such Insurance Policies as to which coverage has been questioned, denied or disputed or in respect of which there is an outstanding reservation of rights. The Company is not in default under, and has not otherwise failed to comply with, in any material respect, any provision contained in any such Insurance Policy. The Insurance Policies are sufficient for compliance with all applicable Laws and Contracts to which the Company is a party or by which it is bound.

Section 3.17 Legal Proceedings; Governmental Orders.

(a) Except as set forth in Section 3.17(a) of the Disclosure Schedules, there are no Actions pending or, to the Company's Knowledge, threatened (a) against or by the Company affecting any of its properties or assets; (b) against, involving, affecting, or relating to the Company or to the conduct of it business, or any of the Company's officers, directors, managers, consultants or employees in their capacity as such; or (c) against or by the Company that challenges or seeks to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. To the Company's Knowledge, no event has occurred or circumstances exist that may give rise to, or serve as a basis for, any such Action.

(b) There are no outstanding Governmental Orders and no unsatisfied judgments, penalties or awards against or affecting the Company or any of its properties or assets.

Section 3.18 Compliance With Laws; Permits.

(a) The Company has materially complied, and is now materially complying, with all Laws applicable to it or its business, properties or assets. The Company is not and has not been in violation of any applicable federal, or, to the Company's Knowledge, state or local Law, including any Food and Drug Laws, except as would not be material to the Company. The Company has not received (i) any Governmental Order or other written notice from the DEA, FDA or any other Governmental Authority alleging a violation of or failure to comply with such Law by the Company (including any of their respective assets or businesses) or (ii) any subpoena, civil investigative demand, audit letter, or other communication from any Governmental Authority concerning compliance with Law.

(b) All material Permits required for the Company to conduct its business have been obtained by it and are valid and in full force and effect. All fees and charges with respect to such Permits as of the date hereof have been paid in full. Section 3.18(b) of the Disclosure Schedules lists all current Permits issued to the Company, including the names of the Permits and their respective dates of issuance and expiration. All such Permits will remain in full force and effect immediately after the Closing Date, and to the Company's Knowledge, no event has occurred that, with or without notice or lapse of time or both, would reasonably be expected to result in the revocation, suspension, lapse or limitation of any Permit set forth in Section 3.18(b) of the Disclosure Schedules.

(c) All material applications, notifications, submissions, information, claims, reports and statistics, and other data and conclusions derived therefrom, submitted in connection with any request for a Permit from any Governmental Authority relating to the Company with respect to its business were true, complete and correct in all material respects as of the date of submission and any material necessary or required updates, changes, corrections or modification to such submissions have been submitted to such Governmental Authority.

(d) The Company has not received any written notice from any applicable Governmental Authority alleging that it is in material breach of or has materially failed to maintain any Permits which are necessary for the effective carrying on of its business as currently conducted. The Company has not had any product or facility subject to a Governmental Authority shutdown or an unresolved import detention or alert, nor received any FDA Form 483s that remain open, "warning letters," "untitled letters," or similar correspondence or notice from any Governmental Authority alleging or asserting material noncompliance with any applicable Law or Permit.

(e) The Company is not the subject of any pending or, to the Company's Knowledge, threatened proceeding with respect to the Company, its business, or products, by (i) the FDA pursuant to its "Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities" Final Policy set forth in 56 Fed. Reg. 46191 (September 10, 1991) and any amendments thereto, or (ii) any Governmental Authority pursuant to any Food and Drug Law. The Company has not, nor to its Knowledge have any of its officers, employees or, agents, been convicted of any crime nor, to the Company's Knowledge, engaged in any conduct that could result in a debarment, disqualification, suspension or exclusion (i) under 21 U.S.C. §335a, (ii) FDA investigator disqualification proceedings, (iii) FDA's Application Integrity Policy, or (iv) any similar Law. The Company is not subject to any enforcement proceeding arising from material false statements to FDA pursuant to 18 U.S.C. § 1001.

(f) Pre-clinical studies and clinical trials, if any, conducted by or sponsored by the Company (which, for the avoidance of doubt, shall not include investigator sponsored or initiated studies), in each case in relation to the Company business or products are being and have been, conducted in all material respects in accordance with Good Clinical Practices and all applicable Laws (including Food and Drug Laws).

(g) All of the Company's products have been manufactured, imported, exported, labelled, stored, tested, marketed, advertised, distributed and sold by the Company in material compliance with all applicable requirements under any federal Permit or Law, and, the Company's Knowledge, any state or local Permit or Law, including the Food and Drug Laws. The Company has not received written notice of any pending or threatened proceeding from the DEA, FDA or other Governmental Authority alleging that any operation or activity of the Company in relation to the business is in material violation of any Laws, including Food and Drug Laws.

(h) The Company has not, either voluntarily or involuntarily, initiated, conducted or issued, or caused to be initiated, conducted or issued, any recall, market withdrawal, or replacement, field advisory alert, investigator notice, or other notice or action relating to an alleged lack of safety or efficacy or regulatory compliance of any Company product. There are no open product complaints, or, to the Company's Knowledge, other facts that would be reasonably likely to result in (i) any of the aforementioned safety notices with respect to Company products, (ii) a material change in labeling of any Company products, or (iii) a termination or suspension of marketing or testing of any Company products.

(i) The Company has not, nor, to the Company's Knowledge, has any of its officers, directors, employees or, agents, been excluded or suspended from participation in any U.S. federal health care program or debarred by the FDA. The Company has not, nor, to the Company's Knowledge, has any of its officers, employees, directors or, agents (i) been subjected to a pending or threatened proceeding that could result in debarment, suspension, or exclusion, or (ii) been convicted of any crime or been engaged in any conduct that could result in debarment, suspension or exclusion under any Food and Drug Law, or that could result in any conviction. Neither the Company, nor, to the Company's Knowledge, any of its officers, employees, directors or agents, are party to nor have any ongoing reporting obligations pursuant to any corporate integrity agreement, deferred or non-prosecution agreement, monitoring agreement, consent decree, settlement order, plan of correction or similar agreement imposed by any Governmental Authority.

(j) All Company products sold, manufactured, developed, rendered and/or distributed by the Company have been in conformity in all material respects with all applicable contractual commitments of the Company, applicable requirements of Laws and all express and implied warranties given by the Company, and the Company has no material liability for replacement thereof or other damages in connection therewith in excess of amounts covered under the Company's products liability insurance. No products sold, manufactured, developed, rendered and/or distributed by the Company are subject to any guaranty, warranty or other indemnity by the Company beyond the Company's applicable standard terms and conditions of sale or service. The Company has made available a correct and complete copy of each express warranty under which the Company has any warranty obligations.

(k) There are no, and have not been, any material actual or alleged (in writing to the Company) design, manufacturing or other defects or malfunctions, latent or otherwise, with respect to any Company product (including by any subcontractor or other agent acting on behalf of the Company), and the Company has no, and has not had any, material liability, and to the Company's Knowledge, there is no reasonable basis for any present or future claim or proceeding against the Company giving rise to any material liability, arising out of any injury or damage to any Person or property as a result of any Company product.

Section 3.19 Environmental Matters.

(a) The Company is currently and has been in compliance with all Environmental Laws and has not received from any Person any: (i) Environmental Notice or written notice of any Environmental Claim; or (ii) written request for information pursuant to Environmental Law, which, in each case, either remains pending or unresolved, or is the source of ongoing obligations or requirements as of the Closing Date.

(b) The Company has obtained and is in compliance in all material respects with all Environmental Permits (each of which is disclosed in Section 3.19(b) of the Disclosure Schedules) necessary for the ownership, lease, operation or use of the business or assets of the Company and all such Environmental Permits are in full force and effect and shall be maintained in full force and effect by the Company through the Closing Date in accordance with Environmental Law, and the Company is not aware of any condition, event or circumstance that might prevent or impede, after the Closing Date, the ownership, lease, operation or use of the business or assets of the Company as currently carried out.

(c) No real property currently or formerly owned, operated or leased by the Company is listed on, or has been publicly proposed by the applicable Governmental Authority for listing on, the National Priorities List (or CERCLIS) under CERCLA, or any similar state list.

(d) There has been no Release of Hazardous Materials in contravention of Environmental Law with respect to the business or assets of the Company or any real property currently or formerly owned, operated or leased by the Company while owned, operated or leased by the Company, and the Company has not received an Environmental Notice that any real property currently or formerly owned, operated or leased in connection with the business of the Company (including soils, groundwater, surface water, buildings and other structure located on any such real property) has been contaminated with any Hazardous Material which could reasonably be expected to result in an Environmental Claim against, or a violation of Environmental Law or term of any Environmental Permit by, the Company.

(e) There are no active or abandoned aboveground or underground storage tanks owned or operated by the Company.

(f) Section 3.19(f) of the Disclosure Schedules contains a complete and accurate list of all off-site Hazardous Materials treatment, storage, or disposal facilities or locations used by the Company and any predecessors as to which the Company may retain liability, and none of these facilities or locations has been placed or publicly proposed by the applicable Governmental Authority for placement on the National Priorities List (or CERCLIS) under CERCLA, or any similar state list, and the Company has not received any Environmental Notice regarding potential liabilities with respect to such off-site Hazardous Materials treatment, storage, or disposal facilities or locations used by the Company.

(g) The Company has not retained or assumed, by contract or operation of Law, any liabilities or obligations of third parties under Environmental Law.

(h) The Company has provided or otherwise made available to Parent and listed in Section 3.19(h) of the Disclosure Schedules any and all environmental reports, studies, audits, records, sampling data, site assessments, risk assessments, economic models and other similar documents with respect to the business or assets of the Company or any currently or formerly owned, operated or leased real property which are in the possession or control of the Company related to compliance with Environmental Laws, Environmental Claims or an Environmental Notice or the Release of Hazardous Materials.

(i) The Company is not aware of or reasonably anticipates, as of the Closing Date, any condition, event or circumstance concerning the Release or regulation of Hazardous Materials that might, after the Closing Date, prevent, impede or materially increase the costs associated with the ownership, lease, operation, performance or use of the business or assets of the Company as currently carried out.

Section 3.20 Employee Benefit Matters.

(a) Section 3.20(a) of the Disclosure Schedules contains a true and complete list of each “employee benefit plan” as that term is defined in Section 3(3) of ERISA (whether or not such plan is subject to ERISA) and each other benefit agreement, program, plan or arrangement, including, without limitation, each bonus plan, deferred compensation plan, supplemental retirement, incentive compensation or retention plan, equity purchase plan, equity option plan, equity appreciation right plan, phantom equity plan, vacation policy or plan, severance pay plan, disability plan, death benefit plan, cafeteria plan, employee assistance program, paid time off policy, employment agreement, consulting agreement, retention incentive agreement, noncompetition agreement, confidentiality agreement, change in control agreement, golden parachute agreement or arrangement and other similar plans, programs, agreements, arrangements or understandings, in each such case, that is sponsored, maintained, administered or contributed to by the Company or with respect to which the Company has or may have any Liability (each, a “**Benefit Plan**”). The Company has never adopted, entered into, maintained, sponsored, contributed to, been required to contribute to, or had any Liability with respect to, any “employee pension benefit plan” within the meaning of Section 3(2) of ERISA, whether or not subject to ERISA, or any plan intended to qualify under Section 401(a) of the Code.

(b) With respect to each Benefit Plan, the Company has made available to Parent accurate, current and complete copies of each of the following: (i) where the Benefit Plan has been reduced to writing, the plan document together with all amendments; (ii) where the Benefit Plan has not been reduced to writing, a written summary of all material plan terms; (iii) where applicable, copies of any insurance policies and contracts, administration agreements and similar agreements, now in effect or required in the future as a result of the transactions contemplated by this Agreement or otherwise; (iv) copies of any summary plan descriptions, summaries of material modifications, summaries of benefits and coverage, employee handbooks and any other similar written communications (or a description of any oral communications) relating to any Benefit Plan; and (v) copies of material notices, letters or other correspondence from the Internal Revenue Service, Department of Labor, Department of Health and Human Services, or other Governmental Authority relating to the Benefit Plan.

(c) Neither the Company nor any ERISA Affiliate has ever maintained, contributed to, had an obligation to contribute to, or incurred any Liability with respect to, either (i) a multiemployer plan, as such term is defined in Sections 3(37) or 4001(a)(3) of ERISA or (ii) an employee pension benefit plan (as defined in Section 3(2) of ERISA) that is or was subject to Title IV of ERISA or Section 412 or Section 430 of the Code or Section 302 or Section 303 of ERISA. The Company has not participated in any union-sponsored multiemployer welfare benefit fund maintained pursuant to any “employee welfare benefit plan” as defined in Section 3(1) of ERISA or a “multiple employer welfare arrangement” (as defined in Section 3(40) of ERISA).

(d) Each Benefit Plan has been established, administered and maintained materially in accordance with its terms and in compliance with all applicable Laws (including ERISA and the Code).

(e) Nothing has occurred with respect to any Benefit Plan that has subjected or could reasonably be expected to subject the Company or any of its ERISA Affiliates or, with respect to any period on or after the Closing Date, Parent or any of its Affiliates, to a penalty under Section 502 of ERISA, to any liability for a breach of fiduciary duty under Section 409 of ERISA, or to tax or penalty under Chapter 43 of Subtitle D of the Code or Sections 6652, 4975 or 4980H of the Code.

(f) With respect to each Benefit Plan, all payments due from the Company have either been timely made in accordance with the terms of such Benefit Plan and applicable Law or are properly recorded as liabilities on the books of the Company and, to the extent required by GAAP, adequate reserves are reflected on the financial statements of the Company for such amounts. All premiums required to be paid for each insurance policy funding all or any portion of the benefits under any Benefit Plan have been timely paid in full. All benefits accrued under any unfunded Benefit Plan have been paid, accrued or otherwise adequately reserved to the extent required by, and in accordance with, GAAP.

(g) All reports and disclosures relating to the Benefit Plans required to be filed with or furnished to a Governmental Authority or plan participants or beneficiaries have been prepared in accordance with applicable Law and filed or furnished in accordance with applicable Law in a timely manner.

(h) There exists no condition that would subject the Company to any Liability under the terms of the Benefit Plans or applicable Law relating thereto other than any payment of benefits in the normal course of plan operation. Each Benefit Plan can be amended, terminated or otherwise discontinued after the Closing in accordance with its terms, without material liabilities to Parent, the Company or any of their Affiliates other than ordinary administrative expenses typically incurred in a termination event. The Company has no commitment or obligation and has not made any representations to any employee, officer, director, independent contractor or consultant, whether or not legally binding, to adopt, amend, modify or terminate any Benefit Plan in connection with the consummation of the transactions contemplated by this Agreement or otherwise.

(i) Other than as required by Section 601 et. seq. of ERISA, Section 4980B of the Code and the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, or other applicable Law (collectively, "**COBRA**"), no Benefit Plan provides post-termination or retiree health benefits to any individual for any reason, and neither the Company nor any of its ERISA Affiliates has any Liability to provide post-termination or retiree health benefits to any individual or ever represented, promised or contracted to any individual that such individual would be provided with post-termination or retiree health benefits. To the extent applicable, each Benefit Plan has been operated in compliance in all material respects with COBRA and other similar applicable Law.

(j) There is no pending or, to the Company's Knowledge, threatened Action relating to a Benefit Plan (other than routine claims for benefits), and no Benefit Plan has been the subject of an examination or audit by a Governmental Authority or the subject of an application or filing under or is a participant in, an amnesty, voluntary compliance, self-correction or similar program sponsored by any Governmental Authority.

(k) There has been no amendment to, announcement by the Company or any of its Affiliates relating to, or change in employee participation or coverage under, any Benefit Plan that would increase the annual expense of maintaining such plan above the level of the expense incurred for the most recently completed fiscal year with respect to any director, officer, employee, independent contractor or consultant, as applicable.

(l) Neither the Company nor any of its Affiliates has any commitment or obligation or has made any representations to any director, officer, employee, independent contractor or consultant, whether or not legally binding, to adopt, amend, modify or terminate any Benefit Plan.

(m) Neither the execution of this Agreement nor any of the transactions contemplated by this Agreement will (either alone or upon the occurrence of any additional or subsequent events): (i) entitle any current or former director, officer, employee, independent contractor or consultant of the Company to severance pay or any other payment; (ii) accelerate the time of payment, funding or vesting, or increase the amount of compensation (including stock-based compensation) due to any such individual; (iii) limit or restrict the right of the Company to merge, amend or terminate any Benefit Plan; (iv) increase the amount payable under or result in any other material obligation pursuant to any Benefit Plan; (v) result in "excess parachute payments" within the meaning of Section 280G(b) of the Code; or (vi) require a "gross-up" or other payment to any "disqualified individual" within the meaning of Section 280G(c) of the Code.

(n) All Options have been duly authorized by the Company Board in compliance with the terms of the Stock Option Plan. No Options have been retroactively granted by the Company Board, nor has the exercise price of any such Option been determined retroactively.

Section 3.21 Employment Matters.

(a) Section 3.21(a) of the Disclosure Schedules contains a list of all persons who are employees, independent contractors or consultants of the Company as of the date hereof, including any employee who is on a leave of absence of any nature, paid or unpaid, authorized or unauthorized, and sets forth for each such individual the following: (i) name; (ii) title or position (including whether full-time or part-time); (iii) hire or retention date; (iv) current annual base compensation rate or contract fee; (v) commission, bonus or other incentive-based compensation; and (vi) a description of the fringe benefits provided to each such individual as of the date hereof. As of the date hereof, all compensation, including wages, commissions, bonuses, fees and other compensation, payable to all employees, independent contractors or consultants of the Company for services performed on or prior to the date hereof have been paid in full (or accrued in full in the Closing Liability Statement) and there are no outstanding agreements, understandings or commitments of the Company with respect to any compensation, commissions, bonuses or fees.

(b) The Company is not, and has not been a party to, bound by, or negotiating any collective bargaining agreement or other Contract with a union, works council or labor organization (collectively, "**Union**"), and there is not, and has not been, any Union representing or purporting to represent any employee of the Company, and, to the Company's Knowledge, no Union or group of employees is seeking or has sought to organize employees for the purpose of collective bargaining. There is not now nor has there ever been any threat made to a Company officer of, any strike, slowdown, work stoppage, lockout, concerted refusal to work overtime or other similar labor disruption or dispute affecting the Company or any of its employees.

(c) The Company is and has been in material compliance with all applicable Laws pertaining to employment and employment practices, including all Laws relating to labor relations, equal employment opportunities, fair employment practices, employment discrimination, harassment, retaliation, reasonable accommodation, disability rights or benefits, immigration, wages, hours, overtime compensation, child labor, hiring, promotion and termination of employees, working conditions, meal and break periods, privacy, health and safety, workers' compensation, leaves of absence, paid sick leave and unemployment insurance. All individuals characterized and treated by the Company as independent contractors or consultants are properly treated as independent contractors under all applicable Laws. All employees of the Company classified as exempt under the Fair Labor Standards Act and state and local wage and hour laws are properly classified. The Company is in compliance with and has complied with all immigration laws, including Form I-9 requirements and any applicable mandatory E-Verify obligations. There are no Actions against the Company pending, or to the Company's Knowledge, threatened to be brought or filed, by or with any Governmental Authority or arbitrator in connection with the employment of any current or former applicant, employee, consultant, volunteer, intern or independent contractor of the Company, including, without limitation, any charge, investigation or claim relating to unfair labor practices, equal employment opportunities, fair employment practices, employment discrimination, harassment, retaliation, reasonable accommodation, disability rights or benefits, immigration, wages, hours, overtime compensation, employee classification, child labor, hiring, promotion and termination of employees, working conditions, meal and break periods, privacy, health and safety, workers' compensation, leaves of absence, paid sick leave, unemployment insurance or any other employment-related matter arising under applicable Laws.

(d) The Company has complied with the WARN Act, and it has no plans to undertake any action before Closing that would trigger the WARN Act.

Section 3.22 Taxes. Except as set forth in Section 3.22 of the Disclosure Schedules:

(a) All Tax Returns required to be filed by the Company have been timely filed. Such Tax Returns were prepared in compliance with all applicable Laws, and are true, complete and correct in all material respects. All Taxes due and owing by the Company (whether or not shown on any Tax Return and including estimated Taxes and installments of Taxes) have been timely paid.

(b) The Company has collected or withheld and paid each Tax required to have been collected or withheld and paid by it, and complied with all Tax information reporting and backup withholding provisions of applicable Law. The Company has collected and maintained properly completed exemption certificates and supporting documents in the manner required by applicable Laws to support the reduction of, or exemption from, any Tax (including Taxes required to be withheld, deducted and/or collected by the Company).

(c) No written claim has ever been made by any Governmental Authority in any jurisdiction where the Company does not file a particular Tax Return or pay a particular Tax that indicates that the Company is, or may be, required to file such Tax Return or pay such Tax. The Company is not subject to Tax in any jurisdiction outside the United States by virtue of (i) having a permanent establishment or other place of business or (ii) having a source of income in that jurisdiction.

(d) No extensions or waivers of statutes of limitations have been given or requested with respect to any Taxes or Tax Returns of the Company. The Company has not requested or been granted an extension of the time for filing any Tax Return which has not yet been filed.

(e) The amount of the Company's Liability for unpaid Taxes for all periods ending on or before the Interim Balance Sheet Date does not, in the aggregate, exceed the amount of accruals for Taxes (excluding reserves for deferred Taxes) reflected on the face of the Interim Balance Sheet. The amount of the Company's Liability for unpaid Taxes does not, in the aggregate, exceed the amount of accruals for Taxes (excluding reserves for deferred Taxes) as adjusted for the passage of time in accordance with the past custom and practice of the Company.

(f) Section 3.22(f) of the Disclosure Schedules sets forth:

(i) the taxable years of the Company for which examinations by the taxing authorities have been completed; and

(ii) those taxable years for which examinations by taxing authorities are presently being conducted.

(g) All deficiencies asserted, or assessments made, against the Company as a result of any Tax audit or examination by any Governmental Authority have been fully paid or finally settled.

(h) The Company is not a party or subject to any, and there is no pending or, to the Company's Knowledge, threatened, Action by any Governmental Authority with respect to Taxes or Tax Returns of the Company.

(i) The Company has delivered or made available to Parent copies of all federal, state, local and foreign Tax Returns, examination reports, and statements of deficiencies assessed against, or agreed to by, the Company for all Tax periods ending on or after December 31, 2016.

(j) There are no Encumbrances for Taxes (other than for current Taxes not yet due and payable) upon the assets of the Company.

(k) The Company is not a party to, or bound by, any Tax indemnity, Tax sharing or Tax allocation Contract (other than any commercial Contract entered into in the ordinary course of business, the principal purpose of which does not relate to Taxes).

(l) No private letter rulings, technical advice memoranda or similar agreement or rulings with respect to Taxes have been requested, entered into or issued by any Governmental Authority to or with respect to the Company.

(m) The Company has never been a member of an affiliated, combined, consolidated or unitary Tax group for Tax purposes. The Company has no Liability for Taxes of any Person (other than the Company) under Treasury Regulations Section 1.1502-6 (or any corresponding provision of state, local or foreign Law), as transferee or successor, by Contract or otherwise. The Company is not a partner for Tax purposes with respect to any joint venture, partnership, or other arrangement or Contract which is or is properly treated as a partnership for Tax purposes.

(n) The Company will not be required to include any item of income in, or exclude any item or deduction from, taxable income for taxable period or portion thereof ending after the Closing Date as a result of:

(i) any change in a method of accounting under Section 481 of the Code (or any comparable provision of state, local or foreign Tax Laws) initiated prior to Closing, or use of an improper method of accounting, for a taxable period ending on or prior to the Closing Date;

(ii) an installment sale or open transaction occurring prior to the Closing;

(iii) a prepaid amount received or paid before the Closing;

(iv) any closing agreement under Section 7121 of the Code, or similar provision of state, local or foreign Law, executed prior to the Closing; or

(v) an intercompany item under Treasury Regulation Section 1.1502-13 or an excess loss account under Treasury Regulation Section 1.1502-19, in each case relating to any transaction consummated prior to the Closing.

(o) The Company is not, nor has it ever been, a United States real property holding corporation (as defined in Section 897(c)(2) of the Code).

(p) The Company has not been a “distributing corporation” or a “controlled corporation” in connection with a distribution described (or intended to be described) in Section 355 of the Code.

(q) The Company is not, and has not been, a party to, or a promoter of, a “reportable transaction” within the meaning of Section 6707A(c)(1) of the Code and Treasury Regulations Section 1.6011-4(b).

(r) The Company has not entered into a gain recognition agreement pursuant to Treasury Regulations Section 1.367(a)-8. The Company has not transferred an intangible the transfer of which would be subject to the rules of Section 367(d) of the Code.

(s) No property owned by the Company is (i) required to be treated as being owned by another person pursuant to the so-called "safe harbor lease" provisions of former Section 168(f)(8) of the Internal Revenue Code of 1954, as amended, (ii) subject to Section 168(g)(1)(A) of the Code, or (iii) subject to a disqualified leaseback or long-term agreement as defined in Section 467 of the Code.

(t) The Company has not (i) deferred any Taxes under Section 2302 of the CARES Act or IRS Notice 2020-65, or (ii) claimed any Tax credits under Sections 7001 through 7005 of the Families First Coronavirus Response Act, P.L. 116-127, or Section 2301 of the CARES Act.

(u) The Company is, and since the date of its formation has been, a C corporation as such term is defined in Section 1361(a)(2) of the Code.

(v) Neither the Company nor any Stockholder has taken any action, nor has Knowledge of any facts or circumstances that would reasonably be expected, to prevent or impede the Merger from being treated as a "reorganization" within the meaning of Code Section 368.

Notwithstanding anything else to the contrary in this Agreement, the Company does not make any representation or warranty as to available amount of or limitations on any net operating loss, Tax credit, Tax basis, or other Tax attribute of the Company after the Closing.

Section 3.23 Books and Records. The complete minute books and stock record books of the Company have been made available to Parent. The minute books of the Company contain accurate records of all formal meetings, and actions taken by written consent of, the Stockholders, the Company Board and any committees of the Company Board, and no formal meeting, or action taken by written consent, of any such Stockholders, Company Board or committee has been held for which minutes have not been prepared and are not contained in such minute books. At the Closing, all of those books and records will be in the possession of the Company.

Section 3.24 Related Party Transactions. No executive officer or director of the Company or any person owning any shares of Company Stock, Options or Convertible Notes (or any of such person's immediate family members or Affiliates or associates) is a party to any Contract with or binding upon the Company or any of its assets, rights or properties or has any interest in any property owned by the Company or has engaged in any transaction with any of the foregoing within the last twelve (12) months other than any Contract relating to employment listed on Section 3.09(a)(vii) of the Disclosure Schedules or the issuance or grant of equity securities and the Convertible Notes.

Section 3.25 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement or any Ancillary Document based upon arrangements made by or on behalf of the Company.

Section 3.26 Governmental Loan Programs. Except for the PPP Loans and EIDL Loan, the Company has not received any payment or incurred any Loss pursuant to, arising out of or other in connection with the Paycheck Protection Program (pursuant to the CARES Act), the U.S. Small Business Administration or any similar funds from federal, state and local Governmental Authority relief programs. The EIDL Loan Application, PPP Loan Applications and PPP Forgiveness Applications (a) were duly authorized by the Company to the extent required under applicable Law, (b) were completed and submitted by the Company in good faith, (c) were correct and complete in all material respects, (d) presented fairly the financial position and results of operations of the Company as set forth therein, (e) were derived from the books and records of the Company and (f) complied in all material respects with the CARES Act (with respect to the PPP Loans), the Small Business Act (with respect to the EIDL Loan) and applicable Law. The Company's use of the proceeds of the PPP Loans complied with the CARES Act and applicable Law. The Company was eligible to receive the PPP Loans under the requirements of the CARES Act, the EIDL Loan under the rules of the U.S. Small Business Administration and as otherwise provided by applicable Law. Both PPP Loans have been completely forgiven by the U.S. Small Business Administration and the Company has no further obligations (except record keeping obligations) with respect to the PPP Loans.

Section 3.27 No Other Representations or Warranties. Except for the representations and warranties of the Company expressly set forth in this Agreement and the representations and warranties in any certificate or other document delivered hereunder, and not in limitation hereof, neither the Company nor any other Person has made or makes any other express or implied representation or warranty, either written or oral, on behalf of the Company, including any representation or warranty with respect to the Company's assets, Liabilities, performance, prospects or otherwise, including any representation or warranty as to the accuracy or completeness of any information, documents or material regarding the Company and its business, performance or prospects furnished or made available to Parent and its Representatives or any representation or warranty arising from statute or otherwise in Law, and any such express or implied representation or warranty not expressly set forth in this Agreement or any certificate or other document delivered hereunder is disclaimed by the Company in its entirety.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUB

Parent and Merger Sub represent and warrant to the Company that the statements contained in this Article IV are true and correct as of the date hereof.

Section 4.01 Organization and Authority of Parent and Merger Sub. Each of Parent and Merger Sub is a corporation or limited liability company, as applicable, duly organized, validly existing and in good standing under the Laws of the jurisdiction of its incorporation. Each of Parent and Merger Sub has full corporate or limited liability company, as applicable, power and authority to enter into and perform its obligations under this Agreement and the Ancillary Documents to which it is a party and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by Parent and Merger Sub of this Agreement and any Ancillary Document to which they are a party and the consummation by Parent and Merger Sub of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of Parent and Merger Sub and no other corporate proceedings on the part of Parent and Merger Sub are necessary to authorize the execution, delivery and performance of this Agreement or to consummate the Merger and the other transactions contemplated hereby and thereby. This Agreement has been duly executed and delivered by Parent and Merger Sub, and (assuming due authorization, execution and delivery by each other party hereto) this Agreement constitutes a legal, valid and binding obligation of Parent and Merger Sub enforceable against Parent and Merger Sub in accordance with its terms. When each Ancillary Document to which Parent or Merger Sub is or will be a party has been duly executed and delivered by Parent or Merger Sub (assuming due authorization, execution and delivery by each other party thereto), such Ancillary Document will constitute a legal and binding obligation of Parent or Merger Sub enforceable against it in accordance with its terms.

Section 4.02 No Conflicts; Consents. The execution, delivery and performance by Parent and Merger Sub of this Agreement and the Ancillary Documents to which they are a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) conflict with or result in a violation or breach of, or default under, any provision of the certificate of incorporation, by-laws or other organizational documents of Parent or Merger Sub; (b) conflict with or result in a violation or breach of any provision of any Law or Governmental Order applicable to Parent or Merger Sub; or (c) require the consent, notice or other action by any Person under any Contract to which Parent or Merger Sub is a party. No consent, approval, Permit, Governmental Order, declaration or filing with, or notice to, any Governmental Authority is required by or with respect to Parent or Merger Sub in connection with the execution, delivery and performance of this Agreement and the Ancillary Documents and the consummation of the transactions contemplated hereby and thereby, except for the filing of the NV Certificate of Merger with the Secretary of State of Nevada and the DE Certificate of Merger with the Secretary of State of Delaware.

Section 4.03 No Prior Merger Sub Operations. Merger Sub is a wholly owned, indirect subsidiary of Parent and a wholly owned direct subsidiary of, and for U.S. federal income Tax purposes, an entity that is disregarded as an entity separate from (within the meaning of Treasury Regulation Section 301.7701-2(c)(2)(i)) (a "**Disregarded Entity**"), InMed Pharmaceuticals Ltd., a Delaware corporation and wholly owned direct subsidiary of Parent. Merger Sub has not engaged in any business activities or conducted any operations other than in connection with the transactions contemplated hereby.

Section 4.04 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement or any Ancillary Document based upon arrangements made by or on behalf of Parent or Merger Sub.

Section 4.05 SEC Filings. Parent has timely filed with or furnished to, as applicable, the SEC all registration statements, prospectuses, reports, schedules, forms, statements, and other documents (including exhibits and all other information incorporated by reference) required to be filed or furnished by it with the SEC (the "**Parent SEC Documents**"). True, correct, and complete copies of all the Parent SEC Documents are publicly available on EDGAR. As of their respective filing dates or, if amended or superseded by a subsequent filing prior to the date hereof, as of the date of the last such amendment or superseding filing (and, in the case of registration statements and proxy statements, on the dates of effectiveness and the dates of the relevant meetings, respectively), each of the Parent SEC Documents complied as to form in all material respects with the applicable requirements of the Securities Act, the Exchange Act, and the Sarbanes-Oxley Act, and the rules and regulations of the SEC thereunder applicable to such Parent SEC Documents. None of the Parent SEC Documents, including any financial statements, schedules, or exhibits included or incorporated by reference therein at the time they were filed (or, if amended or superseded by a subsequent filing prior to the date hereof, as of the date of the last such amendment or superseding filing), contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. To the Knowledge of Parent, none of the Parent SEC Documents is the subject of ongoing SEC review or outstanding SEC investigation and there are no outstanding or unresolved comments received from the SEC with respect to any of the Parent SEC Documents. None of Parent's Subsidiaries is required to file or furnish any forms, reports, or other documents with the SEC.

Section 4.06 Legal Proceedings. There are no Actions pending or, to Parent's or Merger Sub's knowledge, threatened against or by Parent, Merger Sub or any of their respective Affiliates that challenge or seek to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. No event has occurred or circumstances exist that may give rise or serve as a basis for any such Action.

Section 4.07 Material Adverse Effect. Since the Balance Sheet Date, there has not been, with respect to Parent, any event, occurrence or development that has had, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Parent.

Section 4.08 Parent Shares; Compliance with Securities Laws.

(a) Subject to the representations and warranties of the Company and the Stockholders set forth in this Agreement and in the Letters of Transmittal, the Parent Shares issued pursuant to this Agreement, whether issued directly or upon exercise of the Series A Warrants or the Series B Warrants, when issued, sold and delivered in accordance with the terms and for the consideration set forth in this Agreement, the Series A Warrants and Series B Warrants, as applicable, will be validly issued, fully paid and nonassessable and free of restrictions on transfer other than restrictions on transfer set forth in this Agreement, applicable state and federal securities laws and liens or encumbrances created by or imposed by a Stockholder. Assuming the accuracy of the representations of the Company in Section 3.04(b) and subject to the filings pursuant to Regulation D of the Securities Act of 1933, as amended (the "**Securities Act**"), and applicable state securities laws, which have been made or will be made by Parent in a timely manner, the Parent Shares, the Series A Warrants, the Series B Warrants and the Parent Shares issued upon exercise of the Series A Warrants and Series B Warrants will be issued in compliance with all applicable federal and state securities laws. The Parent Shares issuable upon exercise of the Series A Warrants and Series B Warrants have been duly reserved for issuance.

(b) No "bad actor" disqualifying event described in Rule 506(d)(1)(i)-(viii) of the Securities Act is applicable to Parent or, to Parent's knowledge and as it relates to Parent, any Person listed in the first paragraph of Rule 506(d)(1), except for an event as to which Rule 506(d)(2)(ii–iv) or (d)(3), is applicable.

Section 4.09 Tax Matters1.2.. None of Parent, Merger Sub or any of their respective Affiliates has taken any action that would reasonably be expected to prevent or impede the Merger from being treated as a "reorganization" within the meaning of Code Section 368.

Section 4.10 Non-Reliance.

(a) In connection with the due diligence investigation of the Company by Parent, Parent may have received from the Company or any of its Representatives certain estimates, projections, forecasts and other forward-looking information, as well as certain business plan and cost-related plan information, regarding the Company and its businesses and operations. Parent hereby acknowledges that there are uncertainties inherent in attempting to make any such estimates, projections, forecasts and other forward-looking statements, with which Parent is familiar, and Parent will have no claim against the Company, the Stockholders or their respective Affiliates or Representatives, or any other Person, solely with respect thereto. Accordingly, Parent hereby acknowledges that none of the Company, the Stockholders nor any of their respective Affiliates or Representatives, nor any other Person, has made or is making any representation or warranty with respect to any such estimates, projections, forecasts, forward-looking statements, business plans or cost-related plans (including the reasonableness of the assumptions underlying such estimates, projections, forecasts, forward-looking statements, business plans or cost-related plans), except as provided in this Agreement.

(b) Parent acknowledges and agrees that the Company has not made and is not making any representations or warranties whatsoever regarding the subject matter of this Agreement or the Ancillary Documents, express or implied, except as provided in this Agreement or the Ancillary Documents, and that Parent is not relying and has not relied on any representations or warranties whatsoever regarding the subject matter of this Agreement, express or implied, except for the representations and warranties provided in this Agreement and the Ancillary Documents.

Section 4.11 No Other Representations or Warranties. Except for the representations and warranties of Parent expressly set forth in this Agreement and the representations and warranties in any certificate or other document delivered hereunder, and not in limitation hereof, neither Parent nor any other Person makes any other express or implied representation or warranty on behalf of Parent, including any representation or warranty with respect to its assets, Liabilities, performance, prospects or otherwise, including any representation or warranty as to the accuracy or completeness of any information, documents or material regarding Parent and its business, performance or prospects furnished or made available to the Company and its Representatives or any representation or warranty arising from statute or otherwise in Law, and any such express or implied representation or warranty not expressly set forth in any this Agreement or any certificate or other document delivered hereunder is disclaimed by Parent in its entirety.

ARTICLE V

COVENANTS

Section 5.01 Public Announcements. Unless otherwise required by applicable Law or stock exchange requirements (based upon the reasonable advice of counsel), other than Parent, no party to this Agreement shall and each shall cause its Affiliates not to, make any press release or other public announcements in respect of this Agreement or the transactions contemplated hereby or otherwise communicate any information regarding the transactions contemplated hereby with any news media without the prior written consent of Parent.

Section 5.02 Further Assurances. At and after the Effective Time, the officers and directors of the Surviving Entity shall be authorized to execute and deliver, in the name and behalf of the Company or Merger Sub, any deeds, bills of sale, assignments or assurances and to take and do, in the name and on behalf of the Company or Merger Sub, any other actions and things to vest, perfect or confirm of record or otherwise in the Surviving Entity any and all right, title and interest in, to and under any of the rights, properties or assets of the Company acquired or to be acquired by the Surviving Entity as a result of, or in connection with, the Merger. Following the Closing, each of Parent, Stockholder Representative and the Stockholders shall, and shall cause their respective Affiliates to, execute and deliver such additional documents, instruments, conveyances and assurances, and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement.

Section 5.03 Guarantee. Shane A. Johnson and his family are the beneficiaries of The Shane A. Johnson Trust DTD April 18, 1997, as amended, Shane A. Johnson TTEE (the "**Johnson Trust**"), and as such Shane A. Johnson, in his individual capacity does hereby unconditionally and irrevocably guarantee all obligations of the Johnson Trust under this Agreement, as primary obligor and not as surety. This guarantee is a guarantee of payment and not of collection. Shane A. Johnson waives any right to require Parent or anyone else to sue the Johnson Trust for all or any part of the guaranteed obligations before making a claim against Mr. Johnson individually.

Section 5.04 Record Retention. Parent shall retain the books and records (including personnel files) of the Company relating to periods prior to the Closing in a manner reasonably consistent with the prior practices of the Company for a period of seven years post-Closing and upon reasonable notice, afford Stockholder Representative reasonable access to such books and records. Promptly after Closing the Founders shall deliver (which shall include making available electronically in shared server, folder or file) all books and records (including personnel files) of the Company to Parent.

Section 5.05 Information Package. The Company has or will provide to each Stockholder no later than five Business Days after the Date of this Agreement a summary of the transactions contemplated by this Agreement, including certain examples of Merger Consideration to be received by the respective classes of Company Stock based on different Share Prices, as well as information regarding the Company intended to provide each Stockholder with the information needed in order to evaluate the transactions contemplated by this Agreement (all such information collectively, the "**Information Package**"). The Company shall provide a copy of the Information Package to Parent prior to distribution and allow Parent the opportunity to comment on the Information Package provided that the contents of the Information Statement (other than any information from the Parent SEC Documents) is the sole responsibility of the Company. The Company will include in the Information Package a Letter of Transmittal in the form of Exhibit B attached hereto (the "**Letter of Transmittal**"). The Company and the Stockholder Representative shall use reasonable best efforts to have each Stockholder, as well as each Noteholder and Optionholder (to the extent exercising its Option(s)) execute and return promptly after the date of this Agreement for delivery at the Closing executed counterpart copies of this Agreement and, as applicable, a Debt Conversion Agreement or a Contingent Exercise Notice in the forms attached hereto.

Section 5.06 Resale Registration.

(a) No later than 120 days following the Closing, Parent shall prepare and file a resale registration statement with the U.S. Securities and Exchange Commission covering the resale of the Parent Shares issued or issuable pursuant to this Agreement (whether directly at Closing, as Escrow Shares or upon exercise of the Series A Warrants or the Series B Warrants), and shall use commercially reasonable efforts to cause such registration statement to be declared effective within six (6) months after Closing, and thereafter Parent shall use commercially reasonable efforts to cause and maintain the effectiveness of such registration statement until the earlier of (i) the five year anniversary of the Closing, (ii) all such Parent Shares have been sold by the Stockholders, or (iii) all such Parent Shares are eligible to have the restrictive legends removed pursuant to Rule 144(k) of the Securities Act. No Stockholder shall be required to be named as an "underwriter" without such Stockholder's express prior written consent. Parent shall take all action reasonably necessary to cause Parent's actions taken under this Section 5.06 not to violate any other Contract to which Parent is a party, including, without limitation, that certain Registration Rights Agreement dated as of June 28, 2021, by and between Parent and certain other parties. All fees and expenses incident to Parent's performance of or compliance with, this Section 5.06 shall be borne by Parent.

(b) Each Stockholder shall promptly provide to the Parent all information reasonably requested by the Parent for inclusion in any registration statement.

(c) If the Securities and Exchange Commission requires that the number of Parent Shares permitted to be registered on a particular registration statement as a secondary offering pursuant to Section 5.06(a) must be reduced in order to have the registration statement declared effective, then the Parent shall promptly notify the Stockholder Representative and unless otherwise directed in writing by the Stockholder Representative, the number of Parent Shares to be registered on such registration statement will be reduced as follows:

(i) First, the Parent shall reduce or eliminate any securities to be included other than Parent Shares;

(ii) Second, the Parent shall reduce Parent Shares underlying the Series B Warrants (applied to the Stockholders on a pro rata basis based on the total number of unregistered Parent Shares underlying the Series B Warrants held by such Stockholders);

(iii) Third, the Parent shall reduce Parent Shares underlying the Series A Warrants (applied to the Stockholders on a pro rata basis based on the total number of unregistered Parent Shares underlying the Series A Warrants held by such Stockholders);

(iv) Fourth, the Parent shall reduce Parent Shares constituting Escrow Shares; and

(v) Fifth, the Parent shall reduce Parent Shares other than those identified in subparagraphs (i)-(v) above.

(d) Following any such effectiveness of a registration statement for which the number of Parent Shares to be registered has been reduced, the Parent shall use commercially reasonable efforts to promptly file and have declared effective another registration statement to include the remaining Parent Shares and use commercially reasonable efforts to cause and maintain the effectiveness of such registration statement until the earlier of (i) the five year anniversary of the Closing, (ii) all such Parent Shares have been sold by the Stockholders, or (iii) all such Parent Shares are eligible to have the restrictive legends removed pursuant to Rule 144(k) of the Securities Act.

(e) Parent shall promptly notify the Stockholder Representative of the effectiveness, suspension or amendment of any registration statement filed pursuant to this Section 5.06.

(f) In connection with its obligations to register Parent Shares hereunder, Parent further agrees to:

(i) Prepare and file with the SEC such amendments and supplements to any such registration statement and the prospectus(es) used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

(ii) Use commercially reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such U.S. jurisdictions as shall be reasonably requested by the Stockholders, at the sole cost and expense of the requesting Stockholders, provided that Parent shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions or otherwise incur any costs or fees not paid by the requesting Stockholders. Notwithstanding the foregoing, Parent shall bear the costs and expenses associated with any actions taken under this subparagraph (ii) to the extent that the registered securities do not then qualify as “covered securities” under Section 18(b)(1) of the Securities Act.

(iii) Notify each Stockholder at any time when a prospectus relating to Parent Shares registered pursuant to this Section 5.06 is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing. As promptly as reasonably possible after any such notice, Parent will prepare a supplement or amendment, including a post-effective amendment, to a registration statement or a supplement to the related prospectus or any document incorporated or deemed to be incorporated therein by reference, and file any other required document so that, as thereafter delivered, no such document will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Parent will use its commercially reasonable efforts to ensure that the use of the applicable prospectus may be resumed as promptly as is practicable.

(iv) Use commercially reasonable efforts to cause all such Parent Shares registered pursuant hereunder to be listed on Nasdaq, or, if the Parent Shares are not then listed on Nasdaq, then on any successor U.S. exchange on which the Parent Shares may be then listed, and if no successor U.S. exchange, on the principal foreign exchange on which the Parent Shares are then listed.

(v) Use commercially reasonable efforts to comply with all applicable rules and regulations of the SEC under the Securities Act and the Exchange Act, including, without limitation, Rule 172 under the Securities Act, file any final prospectus, including any supplement or amendment thereof, with the SEC pursuant to Rule 424 under the Securities Act, promptly inform the Stockholder Representative in writing if, at any time during the effectiveness of any registration statement filed hereunder, Parent does not satisfy the conditions specified in Rule 172 and, as a result thereof, the Stockholders are required to deliver a prospectus in connection with any disposition of Parent Shares and take such other actions as may be reasonably necessary to facilitate the registration of the Parent Shares hereunder.

Section 5.07 Lock-Up. Each Stockholder irrevocably agrees with Parent that, from the Closing Date until 180 days following the Closing Date (such period, the “**Restriction Period**”), such Stockholder will not offer, sell, contract to sell, hypothecate, pledge or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by such Stockholder or any Affiliate of such Stockholder or any person in privity with such Stockholder or any Affiliate of such Stockholder), directly or indirectly, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), with respect to any Parent Shares. In order to enforce this covenant, Parent shall impose irrevocable stop-transfer instructions preventing the transfer agent of Parent from effecting any actions in violation of this Section 5.07 and shall include restrictive legends on any physical stock certificates issued. Notwithstanding this Section 5.07, in the event of the death, incapacity or divorce of a Stockholder during the Restriction Period, at the sole cost of the Stockholder, the Parent Shares owned by such Stockholder may be transferred with the prior written consent of the Parent (not to be unreasonably withheld) if such transferee(s) signs a written commitment to be bound by the provisions of this Section 5.07 and Section 5.09 and duly completes any other appropriate documentation reasonably required by Parent.

Section 5.08 Release of Claims. In consideration for the Closing Merger Consideration and the other agreements set forth herein and in the Ancillary Documents, as of and following the Closing Date, each Stockholder knowingly, voluntarily and unconditionally releases, forever discharges, and covenants not to sue the Company and its Affiliates from or for any and all claims, causes of action, demands, suits, debts, obligations, Liabilities, damages, Losses, costs and expenses (including attorneys' fees) of every kind or nature whatsoever, known or unknown, actual or potential, suspected or unsuspected, fixed or contingent, that such Stockholder has or may have, now or in the future, arising out of, relating to, or resulting from any act or omission, error, negligence, breach of contract, tort, violation of law, matter or cause whatsoever from the beginning of time to and including the Closing Date (including, without limitation, all amounts payable to such Stockholder pursuant to any Company Stock, Options or Convertible Notes); provided, however, that none of the releases in this Section 5.08 shall limit or otherwise affect the respective rights and obligations of the parties hereto with regard to any rights, claims, demands, actions or causes of action (a) arising out of this Agreement or any Ancillary Document, or (b) specifically included as a Closing Liability reflected in the Estimated Closing Liability Statement; provided that the amount excluded from this Section 5.08 by the clause (b) shall be limited to the amount specifically included in the Estimated Closing Liability Statement in good faith. In making this waiver, such Stockholder acknowledges that he, she or it may hereafter discover facts in addition to or different from those which such Stockholder now believes to be true with respect to the subject matter released herein, but agrees that such Stockholder has taken that possibility into account in reaching this Agreement and as to which such Stockholder expressly assumes the risk. From and after the Closing Date, the Stockholders shall not seek indemnification or contribution from the Company, its Affiliates or the Parent (including by reason of the fact that such Stockholder was a director, manager, member, shareholder, officer, employee or agent of the Company) for any breaches, or in respect of any other payments required to be made, by the Stockholders pursuant to this Agreement or any Ancillary Document.

Section 5.09 Irrevocable Proxy.

(a) Each Stockholder hereby irrevocably constitutes and appoints each of Eric A. Adams and Bruce Colwill, from the date of this Agreement until the earlier of (i) 180 days after the Closing or (ii) the Parent's next annual general meeting of stockholders after the Closing, as the Stockholder's true and lawful proxies, for and in the Stockholder's name, place and stead to vote the Parent Shares owned by the Stockholder with respect to any matter that may be put to a vote of the stockholders of Parent at such next annual general meeting of stockholders. The proxy granted pursuant to this Section 5.09 shall include the right to sign the Stockholder's name (as stockholder of Parent) to any consent, certificate or other document relating to Parent that applicable law may permit or require, to cause the Parent Shares to be voted.

(b) Each Stockholder agrees that each certificate, if any, representing any Parent Shares shall be marked by the Parent with a restrictive legend as follows: "THE SHARES EVIDENCED HEREBY ARE SUBJECT TO AN IRREVOCABLE PROXY (A COPY OF WHICH MAY BE OBTAINED UPON REQUEST FROM THE COMPANY) AND BY ACCEPTING ANY INTEREST IN THE SHARES REPRESENTED BY THIS CERTIFICATE THE HOLDER OF THIS CERTIFICATE SHALL BE DEEMED TO AGREE TO AND SHALL BECOME BOUND BY ALL OF THE PROVISIONS OF SAID PROXY." Parent agrees to take all necessary action, and deliver to its transfer agent all necessary instructions and documentation, at Parent's sole cost and expense, as are required to cause the removal of the foregoing legend from any such certificate (or related electronic entry) immediately upon the expiration of the proxy provided herein.

(c) THE PROXIES AND POWERS GRANTED BY STOCKHOLDERS PURSUANT TO THIS SECTION 5.09 ARE IRREVOCABLE DURING THE PERIOD DESCRIBED ABOVE AND ARE COUPLED WITH AN INTEREST.

Section 5.10 Conduct of Business Prior to the Closing. From the date hereof until the Closing, except as otherwise provided in this Agreement or consented to in writing by Parent (which consent shall not be unreasonably withheld, conditioned or delayed), the Company shall (x) conduct the business of the Company in the ordinary course of business consistent with past practice; and (y) use reasonable best efforts to maintain and preserve intact the current organization, business and franchise of the Company and to preserve the rights, franchises, goodwill and relationships of its employees, customers, lenders, suppliers, regulators and others having business relationships with the Company. Without limiting the foregoing, from the date hereof until the Closing Date, the Company shall use its reasonable best efforts to:

(a) preserve and maintain all of its Permits;

(b) pay its debts, Taxes and other obligations when due;

(c) maintain the properties and assets owned, operated or used by it in the same condition as they were on the date of this Agreement, subject to reasonable wear and tear;

(d) continue in full force and effect without modification all Insurance Policies, except as required by applicable Law;

(e) defend and protect its properties and assets from infringement or usurpation in a manner consistent with its past practices;

(f) perform all of its obligations under all Contracts relating to or affecting its properties, assets or business;

(g) maintain its books and records in accordance with past practice;

(h) comply in all material respects with all applicable Laws; and

(i) not take or permit any action that would cause any of the changes, events or conditions described in Section 3.08 to occur.

Section 5.11 Access to Information.

(a) From the date hereof until the Closing, the Company shall upon prior written request (i) afford Parent and its Representatives reasonable access during ordinary business hours of the Company to and the right to inspect all of the Real Property, properties, assets, premises, books and records, Contracts and other documents and data related to the Company; (ii) furnish Parent and its Representatives with such financial, operating and other data and information related to the Company as Parent or any of its Representatives may reasonably request; and (iii) instruct the Representatives of the Company to reasonably cooperate with Parent in its investigation of the Company. Any investigation pursuant to this Section 5.11 shall be conducted in such manner as not to interfere unreasonably with the conduct of the business of the Company. No investigation by Parent or other information received by Parent shall operate as a waiver or otherwise affect any representation, warranty or agreement given or made by the Company in this Agreement.

(b) Parent and the Company shall comply with, and shall cause their respective Representatives to comply with, all of their respective obligations under the Confidentiality Agreement, dated July 29, 2020, between Parent and the Company (the "**Confidentiality Agreement**").

Section 5.12 No Solicitation of Other Bids.

(a) The Company shall not, and shall not authorize or permit any of its Affiliates, Stockholders, Optionholders or Convertible Note Holders or any of its or their Representatives to, directly or indirectly, (i) encourage, solicit, initiate, facilitate or continue inquiries regarding an Acquisition Proposal; (ii) enter into discussions or negotiations with, or provide any information to, any Person concerning a possible Acquisition Proposal; or (iii) enter into any agreements or other instruments (whether or not binding) regarding an Acquisition Proposal. The Company shall immediately cease and cause to be terminated, and shall cause its Affiliates, Stockholders, Optionholders and Convertible Note Holders and all of its and their Representatives to immediately cease and cause to be terminated, all existing discussions or negotiations with any Persons conducted heretofore with respect to, or that could lead to, an Acquisition Proposal. For purposes hereof, "**Acquisition Proposal**" shall mean any inquiry, proposal or offer from any Person (other than Parent or any of its Affiliates) concerning (i) a merger, consolidation, liquidation, recapitalization, share exchange or other business combination transaction involving the Company; (ii) the issuance or acquisition of shares of capital stock or other equity securities of the Company; or (iii) the sale, lease, exchange or other disposition of any significant portion of the Company's properties or assets.

(b) In addition to the other obligations under this Section 5.12, the Company shall promptly (and in any event within one Business Day after receipt thereof by the Company or its Representatives) advise Parent orally and in writing of any Acquisition Proposal, any request for information with respect to any Acquisition Proposal, or any inquiry with respect to or which could reasonably be expected to result in an Acquisition Proposal, the material terms and conditions of such request, Acquisition Proposal or inquiry, and the identity of the Person making the same.

(c) The Company agrees that the rights and remedies for noncompliance with this Section 5.12 shall include having such provision specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach shall cause irreparable injury to Parent and that money damages would not provide an adequate remedy to Parent.

Section 5.13 Notice of Certain Events.

(a) From the date hereof until the Closing, each of Company and Parent shall promptly notify the other in writing of:

(i) any fact, circumstance, event or action the existence, occurrence or taking of which (A) has had, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company or Parent, (B) has resulted in, or could reasonably be expected to result in, any representation or warranty made by such Person in this Agreement not being true and correct, or (C) has resulted in, or could reasonably be expected to result in, the failure of any of the conditions to be satisfied by such Person in Article VII to be satisfied;

(ii) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement;

(iii) any notice or other communication from any Governmental Authority in connection with the transactions contemplated by this Agreement; and

(iv) any Actions commenced or, to the notifying party's knowledge, threatened against, relating to or involving or otherwise affecting such party that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to Section 3.17 (with respect to the Company) or that relates to the consummation of the transactions contemplated by this Agreement.

(b) A party's receipt of information pursuant to this Section 5.13 shall not operate as a waiver or otherwise affect any representation, warranty or agreement given or made by the notifying party in this Agreement and shall not be deemed to amend or supplement the Disclosure Schedules.

Section 5.14 Resignations. The Company shall deliver to Parent written resignations (from such offices and not of employment), effective as of the Closing Date, of the officers and directors of the Company at least three Business Days prior to the Closing.

Section 5.15 Governmental Approvals and Consents.

(a) Each party hereto shall, as promptly as possible, (i) make, or cause or be made, all filings and submissions required under any Law applicable to such party or any of its Affiliates; and (ii) use reasonable best efforts to obtain, or cause to be obtained, all consents, authorizations, orders and approvals from all Governmental Authorities that may be or become necessary for its execution and delivery of this Agreement and the performance of its obligations pursuant to this Agreement and the Ancillary Documents. Each party shall cooperate fully with the other party and its Affiliates in promptly seeking to obtain all such consents, authorizations, orders and approvals. The parties hereto shall not willfully take any action that will have the effect of delaying, impairing or impeding the receipt of any required consents, authorizations, orders and approvals.

(b) The Company and Parent shall use reasonable best efforts to give all notices to, and obtain all consents from, all third parties that are described in Section 7.02(d) and Section 7.03(e), respectively, of the Disclosure Schedules.

(c) Without limiting the generality of the parties' undertakings pursuant to subsections (a) and (b) above, each of the parties hereto shall use all reasonable best efforts to:

(i) respond to any inquiries by any Governmental Authority regarding antitrust or other matters with respect to the transactions contemplated by this Agreement or any Ancillary Document;

(ii) avoid the imposition of any order or the taking of any action that would restrain, alter or enjoin the transactions contemplated by this Agreement or any Ancillary Document; and

(iii) in the event any Governmental Order adversely affecting the ability of the parties to consummate the transactions contemplated by this Agreement or any Ancillary Document has been issued, to have such Governmental Order vacated or lifted.

(d) All analyses, appearances, meetings, discussions, presentations, memoranda, briefs, filings, arguments, and proposals made by or on behalf of either party before any Governmental Authority or the staff or regulators of any Governmental Authority, in connection with the transactions contemplated hereunder (but, for the avoidance of doubt, not including any interactions between the Company and Governmental Authorities in the ordinary course of business, any disclosure which is not permitted by Law or any disclosure containing confidential information) shall be disclosed to the other party hereunder in advance of any filing, submission or attendance, it being the intent that the parties will consult and cooperate with one another, and consider in good faith the views of one another, in connection with any such analyses, appearances, meetings, discussions, presentations, memoranda, briefs, filings, arguments, and proposals. Each party shall give notice to the other party with respect to any meeting, discussion, appearance or contact with any Governmental Authority or the staff or regulators of any Governmental Authority, with such notice being sufficient to provide the other party with the opportunity to attend and participate in such meeting, discussion, appearance or contact.

(e) Notwithstanding the foregoing, nothing in this Section 5.15 shall require, or be construed to require, Parent or any of its Affiliates to agree to (i) sell, hold, divest, discontinue or limit, before or after the Closing Date, any assets, businesses or interests of Parent, the Company or any of their respective Affiliates; (ii) any conditions relating to, or changes or restrictions in, the operations of any such assets, businesses or interests which, in either case, could reasonably be expected to result in a Material Adverse Effect on the Company or Parent or materially and adversely impact the economic or business benefits to Parent of the transactions contemplated by this Agreement; or (iii) any material modification or waiver of the terms and conditions of this Agreement.

Section 5.16 Closing Conditions. From the date hereof until the Closing, each party hereto shall use reasonable best efforts to take such actions as are necessary to expeditiously satisfy the closing conditions set forth in Article VII hereof.

ARTICLE VI

TAX MATTERS

Section 6.01 Transfer Taxes. All transfer, documentary, sales, use, stamp, registration, value added and other similar Taxes and fees (including any penalties and interest) incurred in connection with the Merger (including any real property transfer Tax and any other similar Tax) ("**Transfer Taxes**") shall be borne and paid 50% by the Stockholders and 50% by Parent, and the party required by applicable Law shall, at its own expense, file all necessary Tax Returns and other documentation with respect to such Transfer Taxes.

Section 6.02 Termination of Existing Tax Sharing Agreements. Any and all existing Tax sharing or Tax allocation agreements (whether written or not, but excluding any commercial agreement, the principal purpose of which does not relate to Taxes) binding upon the Company shall be terminated as of the Closing Date. After such date neither the Company nor any of its Representatives shall have any further rights or liabilities thereunder.

Section 6.03 Tax Indemnification. Except to the extent treated as a Closing Liability in the calculation of Closing Net Liability, the Stockholders, shall, severally and not jointly (in accordance with their Pro Rata Shares), indemnify the Company, Surviving Entity, Parent, and each Parent Indemnitee and hold them harmless from and against any and all Losses arising from or attributable to (a) any breach of or inaccuracy in any representation or warranty made in Section 3.22 (determined without regard to any qualifications as to materiality); (b) any breach or violation of, or failure to fully perform, any covenant, agreement, undertaking or obligation in Article VI; (c) all Pre-Closing Taxes; (d) Taxes of any member of an affiliated, consolidated, combined or unitary group of which the Company (or any predecessor of the Company) is or was a member on or prior to the Closing Date by reason of a liability under Treasury Regulation Section 1.1502-6 or any comparable provisions of foreign, state or local Law; (e) all Taxes of any Person (other than the Company) imposed on the Company arising under the principles of transferee or successor liability or by Contract, as result of an event or transaction occurring before the Closing; (f) Transfer Taxes payable by the Stockholders pursuant to Section 6.01; and (g) Taxes of the Stockholders (provided that each Stockholder shall be liable under this Section 6.03(g) for the full amount of, but only for, his, her or its own Taxes). The Stockholders shall, severally and not jointly (in accordance with their Pro Rata Shares), reimburse Parent in the manner set forth in Section 6.09 for any Taxes of the Company or Surviving Entity that are the responsibility of the Stockholders pursuant to this Section 6.03 within ten Business Days after notice of such Taxes is given by Parent or the Surviving Entity.

Section 6.04 Tax Returns. After the Effective Time, Parent shall prepare and timely file, or cause to be prepared and timely filed, all Tax Returns required to be filed by the Company relating to any Pre-Closing Tax Period (including any Straddle Period). Any such Tax Return shall be prepared in a manner consistent with past practice of the Company (unless otherwise required by Law). Parent shall provide each income Tax Return to Stockholder Representative at least twenty days prior to the due date of such Tax Return (including any applicable extensions thereof) for Stockholder Representative's review and comment. If Stockholder Representative provides to Parent a written notice of objection to any item on any such Tax Return within ten days of receipt, Stockholder Representative and Parent shall work in good faith to resolve such items. If Stockholder Representative and Parent are unable to resolve any such items, the disputed item(s) shall be resolved by the Independent Accountant in a manner consistent with the procedures set forth in Section 2.13(c) except that the Stockholder Representative shall be required to pay its portion of any fees and expenses of the Independent Accountant in cash to the Independent Accountant. If the Independent Accountant is unable to resolve any disputed item before the due date for such Tax Return (including applicable extensions), such Tax Return shall be filed as initially prepared by Parent and, if necessary, subsequently amended to reflect the Independent Accountant's resolution.

Section 6.05 Straddle Period. In the case of Taxes that are payable with respect to a taxable period that begins on or before and ends after the Closing Date (each such period, a "**Straddle Period**"), the portion of any such Taxes that are treated as Pre-Closing Taxes for purposes of this Agreement shall be:

(a) in the case of Taxes (i) based upon, or related to, income, receipts, profits, wages, capital or net worth, (ii) imposed in connection with the sale, transfer or assignment of property, or (iii) required to be withheld, deemed equal to the amount which would be payable if the taxable year ended with (and included) the Closing Date; and

(b) in the case of other Taxes, deemed to be the amount of such Taxes for the entire period multiplied by a fraction the numerator of which is the number of days in the period ending on (and including) the Closing Date and the denominator of which is the number of days in the entire period.

Section 6.06 Contests. Parent agrees to give written notice to Stockholder Representative of the receipt of any written notice by the Company, Surviving Entity, Parent or any of Parent's Affiliates which involves the assertion of any claim, or the commencement of any Action, in respect of which an indemnity may be sought by Parent pursuant to this Article VI (a "**Tax Claim**"); *provided, that* failure to comply with this provision shall not affect the right to indemnification pursuant to this Article VI except to the extent that the Stockholders forfeit rights or defenses by reason of such failure. Parent shall control the contest or resolution of any Tax Claim; *provided, however*, that Parent shall obtain the prior written consent of Stockholder Representative (which consent shall not be unreasonably withheld, conditioned or delayed) before entering into any settlement of a claim; and, *provided further*, that Stockholder Representative shall be entitled to participate in the defense of such claim and to employ counsel of its choice for such purpose, the fees and expenses of which separate counsel shall be borne solely by Stockholder Representative.

Section 6.07 Cooperation and Exchange of Information. The Stockholder Representative, the Company, the Surviving Entity, and Parent shall provide each other with such reasonable cooperation and information as either of them reasonably may request of the others in filing any Tax Return pursuant to this Article VI or in connection with any audit or other Action in respect of Taxes of the Company for a Pre-Closing Tax Period (including a Straddle Period). Such cooperation and information shall include providing copies of relevant Tax Returns or portions thereof, together with accompanying schedules, related work papers and documents relating to rulings or other determinations by tax authorities. Parent shall use commercially reasonable efforts to make available to the Stockholders upon written request at the sole cost and expense of the requesting Stockholders the information that the Stockholders reasonably require to make and maintain timely and valid qualified electing fund (QEF) elections under Section 1295 of the Code with respect to Parent.

Section 6.08 Tax Treatment of Indemnification Payments. Any indemnification payments pursuant to this Article VI shall be treated as an adjustment to the Merger Consideration by the parties for Tax purposes, unless otherwise required by Law.

Section 6.09 Payments to Parent. Any amounts payable to Parent, the Surviving Entity or other Parent Indemnitee pursuant to this Article VI shall be satisfied: (i) from the Indemnification Escrow Fund; and (ii) to the extent such amounts exceed the amount available in the Indemnification Escrow Fund, from the Stockholders severally and not jointly (in accordance with their Pro Rata Shares).

Section 6.10 FIRPTA Statement. On the Closing Date, the Company shall deliver to Parent a certificate, dated as of the Closing Date, certifying to the effect that no interest in the Company is a U.S. real property interest (such certificate in the form required by Treasury Regulation Sections 1.897-2(h) and 1.1445-2(c)), along with a notice to the Internal Revenue Services in accordance with the requirements of Treasury Regulations Section 1.897-2(h) (collectively, the "**FIPRTA Statement**").

Section 6.11 Actions Relating to Pre-Closing Periods. Unless otherwise required by Law, Parent shall not, and shall not permit or cause any of its Affiliates (including the Surviving Entity) to, (a) amend any Tax Returns filed by the Company for any Tax period ending on or before the Closing Date, (b) excluding Tax Returns filed pursuant to Section 6.04, file any Tax Return of the Company for any Tax period beginning on or before the Closing Date in a jurisdiction where the Company did not file a Tax Return in a prior period, (c) make or change any Tax election of or relating to the Company that has retroactive effect to any Tax period ending on or before the Closing Date, (d) file any private letter ruling or similar request with respect to Taxes or Tax Returns of the Company for any Tax period ending on or before the Closing Date, or (e) initiate any voluntary disclosure or similar process with respect to the Company for any Tax period ending on or before the Closing Date, in each case without Stockholder Representative's prior written approval (such approval not to be unreasonably withheld, conditioned or delayed).

Section 6.12 Closing Date Transactions. Parent shall not cause the Company to take any extraordinary transactions on the Closing Date after the Closing that would reasonably be expected to result in any increased Tax liability for which the Stockholders would be liable.

Section 6.13 Intended Tax Treatment. The parties intend the Merger to qualify as a reorganization under Section 368(a) of the Code, and each party will take the position for all Tax purposes (including the filing of all Tax Returns) that the Merger so qualifies unless a contrary position is required by a final determination within the meaning of Section 1313 of the Code or a settlement or resolution reflected on IRS Form 870 (or similar form for U.S. federal, state or local Tax purposes). From and after the date of this Agreement, each party shall use commercially reasonable efforts to cause the Merger to qualify as a reorganization under Section 368(a) of the Code. Without limiting the foregoing, Parent agrees to cause Merger Sub to continue to be treated as a Disregarded Entity owned by a U.S. corporation that is a direct subsidiary of Parent until and through the Effective Time.

Section 6.14 Survival. Notwithstanding anything in this Agreement to the contrary, the provisions of Section 3.22 and this Article VI shall survive for the full period of all applicable statutes of limitations (giving effect to any waiver, mitigation or extension thereof) plus 60 days.

Section 6.15 Overlap. To the extent that any obligation or responsibility pursuant to Article VIII may overlap with an obligation or responsibility pursuant to this Article VI, the provisions of this Article VI shall govern.

ARTICLE VII

CONDITIONS TO CLOSING

Section 7.01 Conditions to Obligations of All Parties. The obligations of each party to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions:

(a) No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Governmental Order which is in effect and has the effect of making the transactions contemplated by this Agreement illegal, otherwise restraining or prohibiting consummation of such transactions or causing any of the transactions contemplated hereunder to be rescinded following completion thereof.

(b) The Company shall have received all consents, authorizations, orders and approvals from the Governmental Authorities referred to in Section 7.02(d) of the Disclosure Schedules and Parent shall have received all consents, authorizations, orders and approvals from the Governmental Authorities referred to in Section 7.03(e) of the Disclosure Schedules, in each case, in form and substance reasonably satisfactory to Parent and the Company, and no such consent, authorization, order and approval shall have been revoked.

Section 7.02 Conditions to Obligations of Parent and Merger Sub. The obligations of Parent and Merger Sub to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or Parent's waiver, at or prior to the Closing, of each of the following conditions:

(a) The representations and warranties of the Company contained in this Agreement, the Ancillary Documents and any certificate or other writing delivered pursuant hereto shall be true and correct in all respects (in the case of any representation or warranty qualified by materiality or Material Adverse Effect) or in all material respects (in the case of any representation or warranty not qualified by materiality or Material Adverse Effect) on and as of the date hereof and on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects).

(b) The Company shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement and each of the Ancillary Documents to be performed or complied with by it prior to or on the Closing Date; *provided, that*, with respect to agreements, covenants and conditions that are qualified by materiality, the Company shall have performed such agreements, covenants and conditions, as so qualified, in all respects.

(c) No Action shall have been commenced against Parent, Merger Sub or the Company, which would prevent the Closing. No injunction or restraining order shall have been issued by any Governmental Authority, and be in effect, which restrains or prohibits any transaction contemplated hereby.

(d) All approvals, consents and waivers that are listed on Section 7.02(d) of the Disclosure Schedules shall have been received, and executed counterparts thereof shall have been delivered to Parent at or prior to the Closing.

(e) From the date of this Agreement, there shall not have occurred any Material Adverse Effect on the Company, nor shall any event or events have occurred that, individually or in the aggregate, with or without the lapse of time, could reasonably be expected to result in a Material Adverse Effect on the Company.

(f) The Company shall have delivered each of the closing deliverables set forth in Section 2.03(a).

(g) None of the Founders have terminated their employment with the Company or indicated their intention to do so and each of the Founders Agreements remain in place and have not been breached or challenged by any Founders.

(h) All Options have been exercised or will be terminated as of the Effective Time.

(i) All Convertible Notes have been converted into shares of Company Note Conversion Common Stock.

Section 7.03 Conditions to Obligations of the Company. The obligations of the Company to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or the Company's waiver, at or prior to the Closing, of each of the following conditions:

(a) The representations and warranties of Parent and Merger Sub contained in this Agreement, the Ancillary Documents and any certificate or other writing delivered pursuant hereto shall be true and correct in all respects (in the case of any representation or warranty qualified by materiality or Material Adverse Effect) or in all material respects (in the case of any representation or warranty not qualified by materiality or Material Adverse Effect) on and as of the date hereof and on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects).

(b) Parent and Merger Sub shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement and each of the Ancillary Documents to be performed or complied with by them prior to or on the Closing Date; *provided*, *that*, with respect to agreements, covenants and conditions that are qualified by materiality, Parent and Merger Sub shall have performed such agreements, covenants and conditions, as so qualified, in all respects.

(c) From the date of this Agreement, there shall not have occurred any Material Adverse Effect on the Parent, nor shall any event or events have occurred that, individually or in the aggregate, with or without the lapse of time, could reasonably be expected to result in a Material Adverse Effect on the Parent.

(d) No injunction or restraining order shall have been issued by any Governmental Authority, and be in effect, which restrains or prohibits any material transaction contemplated hereby.

(e) Parent shall have delivered each of the closing deliverables set forth in Section 2.03(b).

ARTICLE VIII

INDEMNIFICATION

Section 8.01 Survival. Subject to the limitations and other provisions of this Agreement, the representations and warranties contained herein (other than any representations or warranties contained in Section 3.22 which are subject to Article VI) shall survive the Closing and shall remain in full force and effect until the date that is 18 months from the Closing Date; *provided*, *that* the representations and warranties in Section 3.01, Section 3.02(a), Section 3.04(a), Section 3.04(b), Section 3.04(d), Section 3.04(e), Section 3.04(f), Section 3.04(g), Section 3.04(h), Section 3.05, Section 3.26, Section 4.01 and Section 4.04 (collectively, together with Section 3.18 (solely to the extent related to compliance with laws related to the development, marketing, or sales of cannabinoid products), the "**Fundamental Representations**") shall survive for seven years from the Closing Date; *and provided further*, *that* Section 3.18 (solely to the extent related to compliance with laws related to the development, marketing, or sales of cannabinoid products) shall survive for three years from the Closing Date. All covenants and agreements of the parties contained herein (other than any covenants or agreements contained in Article VI which are subject to Article VI) shall survive the Closing indefinitely or for the period explicitly specified therein. Notwithstanding the foregoing, any claims asserted in good faith with reasonable specificity (to the extent known at such time) and in writing by notice from the Indemnified Party to the Indemnifying Party prior to the expiration date of the applicable survival period shall not thereafter be barred by the expiration of the relevant representation or warranty and such claims shall survive until finally resolved.

Section 8.02 Indemnification By Stockholders. Subject to the other terms and conditions of this Article VIII, the Stockholders severally and not jointly (in accordance with their Pro Rata Shares), shall indemnify and defend each of Parent and its Affiliates (including the Company) and their respective Representatives (collectively, the "**Parent Indemnitees**") against, and shall hold each of them harmless from and against, and shall pay and reimburse each of them for, any and all Losses incurred or sustained by, or imposed upon, the Parent Indemnitees based upon, arising out of, with respect to or by reason of:

(a) any inaccuracy in or breach of any of the representations or warranties of the Company contained in this Agreement or in any certificate or instrument delivered by or on behalf of the Company pursuant to this Agreement (other than in respect of Section 3.22, it being understood that the sole remedy for any such inaccuracy in or breach thereof shall be pursuant to Article VI), or any Ancillary Document as of the date such representation or warranty was made or as if such representation or warranty was made on and as of the Closing Date (except for representations and warranties that expressly relate to a specified date, the inaccuracy in or breach of which will be determined with reference to such specified date);

(b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by the Company or Stockholder Representative pursuant to this Agreement (other than to the extent that any breach or violation of, or failure to fully perform, any covenant, agreement, undertaking or obligation in Article VI is subject to a remedy set forth therein, in which case it is understood that the sole remedy for any such breach, violation or failure shall be such remedy set forth in Article VI) or any Ancillary Document;

(c) any claim made by any Stockholder, Optionholder or Convertible Note Holder relating to (i) such Person's rights with respect to the Merger Consideration, (ii) the calculations and determinations set forth on the Consideration Spreadsheet, or (iii) the Information Package (excluding the publicly available Parent information included in such materials);

(d) the PPP Loans, including (a) any Losses arising out of or relating to the PPP Loans, the PPP Loan Applications, the PPP Forgiveness Applications, or any other application or certification submitted in connection with the PPP Loans and (b) any audit or other Legal Proceeding arising out of or relating to the PPP Loans;

(e) except for any amounts related thereto that are included in the Closing Liabilities in the calculation of the Closing Net Liability, the Loan Authorization and Agreement for an Economic Injury Disaster Loan dated June 10, 2020 (SBA Loan # 1343947905) between the Company and the SBA (the "**EIDL Loan**"), the application therefore and any audit or Legal Proceeding arising out of such application and loan;

(f) any Transaction Expenses or Indebtedness of the Company outstanding as of the Closing to the extent not paid or satisfied by the Company at or prior to the Closing and to the extent not included as a Closing Liability in the calculation of Closing Net Liability, or if paid by Parent or Merger Sub at or prior to the Closing, to the extent not included as a Closing Liability in the calculation of Closing Net Liability; or

(g) any claims or actions by any Stockholder, Optionholder or Convertible Note Holder that does not sign and deliver to Parent a Letter of Transmittal on or before the Closing.

Section 8.03 Indemnification By Parent. Subject to the other terms and conditions of this Article VIII, Parent shall indemnify and defend each of the Stockholders and their Affiliates and their respective Representatives (collectively, the "**Stockholder Indemnitees**") against, and shall hold each of them harmless from and against, and shall pay and reimburse each of them for, any and all Losses incurred or sustained by, or imposed upon, the Stockholder Indemnitees based upon, arising out of, with respect to or by reason of:

(a) any inaccuracy in or breach of any of the representations or warranties of Parent and Merger Sub contained in this Agreement or in any certificate or instrument delivered by or on behalf of Parent or Merger Sub pursuant to this Agreement, as of the date such representation or warranty was made or as if such representation or warranty was made on and as of the Closing Date (except for representations and warranties that expressly relate to a specified date, the inaccuracy in or breach of which will be determined with reference to such specified date); or

(b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Parent or Merger Sub pursuant to this Agreement (other than to the extent that any breach or violation of, or failure to fully perform, any covenant, agreement, undertaking or obligation in Article VI is subject to a remedy set forth therein, in which case it is understood that the sole remedy for any such breach, violation or failure shall be pursuant to such remedy set forth in Article VI).

Section 8.04 Certain Limitations. The indemnification provided for in Section 8.02 and Section 8.03 shall be subject to the following limitations:

(a) Stockholders collectively shall not be liable to the Parent Indemnitees for indemnification under Section 8.02(a) until the aggregate amount of all Losses in respect of indemnification under Section 8.02(a) exceeds $50,000 (the "**Basket**"), in which event Stockholders shall be required to pay or be liable for all such Losses from the first dollar in excess of the Basket subject to the further limitations set forth herein. The aggregate amount of all Losses for which Stockholders shall be liable pursuant to Section 8.02(a) shall not exceed the dollar amount equal to the product of 445,000 multiplied by the Share Price (the "**Cap**"). If the number of Escrow Shares then remaining in the Indemnification Escrow Fund are insufficient to satisfy a claim for indemnification under Section 8.02(a) or Section 6.09, the Stockholders may satisfy those indemnity obligations by either delivering cash or by delivering Parent Shares (valued at the Share Price for such purpose).

(b) Parent shall not be liable to the Stockholder Indemnitees for indemnification under Section 8.03(a) until the aggregate amount of all Losses in respect of indemnification under Section 8.03(a) exceeds the Basket, in which event Parent shall be required to pay or be liable for all such Losses from the first dollar in excess of the Basket. The aggregate amount of all Losses for which Parent shall be liable pursuant to Section 8.03(a) shall not exceed the Cap.

(c) Notwithstanding the foregoing, the limitations set forth in Section 8.04(a) and Section 8.04(b) shall not apply to Losses based upon, arising out of, with respect to or by reason of any inaccuracy in or breach of any Fundamental Representation. The aggregate amount of all Losses for which Stockholders shall be liable pursuant to Section 8.02(a) for breaches of or inaccuracies in (i) Fundamental Representations shall not exceed an amount equal to (x) the product of (I) 1,780,000 multiplied by (II) the Share Price, minus (y) the Estimated Closing Adjustment, if any, and the Post-Closing Adjustment, if any, plus (z) the True-Up Adjustment, if any, and (ii) representations and warranties of the Company in Section 3.18 related to compliance with laws related to the development, marketing, or sales of cannabinoid products, when combined with any amounts paid under Section 8.04(a) shall not exceed the Cap.

(d) For purposes of this Article VIII, any inaccuracy in or breach of any representation or warranty or the calculation of any Losses related thereto shall be determined without regard to any materiality, Material Adverse Effect or other similar qualification contained in or otherwise applicable to such representation or warranty.

(e) The aggregate amount of Losses for which any Stockholder shall be liable pursuant to Section 6.03 and Section 8.02 shall not exceed the Merger Consideration actually received by such Stockholder.

(f) The limitations in Section 8.04(a), Section 8.04(c) and Section 8.04(e) shall not apply to (i) any Founding Stockholder, Founder, Company officer, Company employee or former Company employee with respect to Losses incurred as a result of fraud committed by any Founding Stockholder, Founder, Company officer, Company employee or former Company employee or (ii) any other Stockholder, Optionholder or Convertible Noteholder with respect to Losses incurred as a result of fraud committed by such Person.

(g) The Losses of an Indemnified Party shall be adjusted to give credit for any insurance recovery paid with respect to the matter to which the indemnification claim relates, net of deductibles paid and the portion of any increase in premiums for such insurance policies directly and solely resulting from such matter as determined in good faith and set forth in writing by the Indemnified Party's insurance broker.

(h) If an Indemnified Party receives any payment from an Indemnifying Party in respect of any Losses pursuant to this Article VIII and the Indemnified Party could have recovered all or a part of such Losses from a third party insurance company (a "**Potential Contributor**") based on the underlying claim asserted against the Indemnifying Party, the Indemnified Party shall, upon written request from the Stockholder Representative, assign such of its rights to proceed against the Potential Contributor as are necessary to permit the Indemnifying Party to seek recovery from the Potential Contributor the amount of such payment.

Section 8.05 Indemnification Procedures. The party making a claim under this Article VIII is referred to as the "**Indemnified Party**", and the party against whom such claims are asserted under this Article VIII is referred to as the "**Indemnifying Party**". For purposes of this Article VIII, (i) if Parent (or any other Parent Indemnitee) comprises the Indemnified Party, any references to Indemnifying Party (except provisions relating to an obligation to make payments) shall be deemed to refer to Stockholder Representative, and (ii) if Parent comprises the Indemnifying Party, any references to the Indemnified Party shall be deemed to refer to Stockholder Representative. Any payment received by Stockholder Representative as the Indemnified Party shall be distributed to the Stockholders in accordance with this Agreement.

(a) Third Party Claims. If any Indemnified Party receives notice of the assertion or commencement of any Action made or brought by any Person who is not a party to this Agreement or an Affiliate of a party to this Agreement or a Representative of the foregoing (a "**Third Party Claim**") against such Indemnified Party with respect to which the Indemnifying Party is obligated to provide indemnification under this Agreement, the Indemnified Party shall give the Indemnifying Party reasonably prompt written notice thereof, but in any event not later than 30 calendar days after receipt of such notice of such Third Party Claim. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations, except and only to the extent that the Indemnifying Party forfeits rights or defenses by reason of such failure. Such notice by the Indemnified Party shall describe the Third Party Claim in reasonable detail, shall include copies of all material written evidence thereof and shall indicate the estimated amount, if reasonably practicable, of the Loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have the right to participate in the defense of any Third Party Claim at the Indemnifying Party's expense and by the Indemnifying Party's own counsel, and the Indemnified Party shall cooperate in good faith in such defense. The Parent shall have the right to assume the defense of any Third Party Claim with counsel selected by it. The fees and disbursements of such counsel shall be at the expense of the Indemnified Party. Parent may, subject to Section 8.05(b), pay, compromise, defend such Third Party Claim and seek indemnification for any and all Losses based upon, arising from or relating to such Third Party Claim. Stockholder Representative and Parent shall cooperate with each other in all reasonable respects in connection with the defense of any Third Party Claim.

Notwithstanding the provisions of Section 8.05(a) to the contrary, if any or all of the Stockholders are the Indemnifying Party with respect to a Third Party Claim, the Stockholder Representative may assume the defense of such Third Party Claim on behalf of the Indemnifying Party, if within 20 days of receiving notice of such Third Party Claim, the Stockholder Representative provides to Parent information reasonably satisfactory to Parent that the Stockholder Representative has the financial ability to pay the necessary fees and expenses, including the fees and expenses of counsel, to defend such Third Party Claim to conclusion. However, notwithstanding the prior sentence, the Stockholder Representative shall not have the right to assume the defense of any Third Party Claim that (i) relates to or arises in connection with a criminal proceeding, Action, indictment, allegation, or investigation, (ii) is asserted directly by or on behalf of a Person that is a then current material supplier or customer of Parent or Surviving Entity, (iii) seeks an injunction or other equitable relief against the Indemnified Party or could result in material non-monetary consequences on Parent or the Surviving Entity, (iv) asserts damages in excess of the value of the Escrow Shares (based on the Share Price) then remaining in the possession of Parent at the time that such Third Party Claim is brought, or (v) the Stockholder Representative is failing to prosecute or defend vigorously after its receipt of written notice thereof from Parent and failure to cure such failure within a reasonable period of time.

(b) Settlement of Third Party Claims. Notwithstanding any other provision of this Agreement, the Indemnifying Party or Indemnified Party shall not enter into settlement of any Third Party Claim without the prior written consent of the Indemnified Party or Indemnifying Party (which consent shall not be unreasonably withheld, conditioned or delayed).

(c) Direct Claims. Any Action by an Indemnified Party on account of a Loss which does not result from a Third Party Claim (a "**Direct Claim**") shall be asserted by the Indemnified Party giving the Indemnifying Party reasonably prompt written notice thereof, but in any event not later than 30 days after the Indemnified Party becomes aware of such Direct Claim. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations, except and only to the extent that the Indemnifying Party forfeits rights or defenses by reason of such failure. Such notice by the Indemnified Party shall describe the Direct Claim in reasonable detail, shall include copies of all material written evidence thereof and shall indicate the estimated amount, if reasonably practicable, of the Loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have 30 days after its receipt of such notice to respond in writing to such Direct Claim. The Indemnified Party shall allow the Indemnifying Party and its professional advisors to investigate the matter or circumstance alleged to give rise to the Direct Claim, and whether and to what extent any amount is payable in respect of the Direct Claim and the Indemnified Party shall assist the Indemnifying Party's investigation by giving such information and assistance as the Indemnifying Party or any of its professional advisors may reasonably request. If the Indemnifying Party does not so respond within such 30 day period, the Indemnifying Party shall be deemed to have rejected such claim, in which case the Indemnified Party shall be free to pursue such remedies as may be available to the Indemnified Party on the terms and subject to the provisions of this Agreement.

(d) Tax Claims. Notwithstanding any other provision of this Agreement, the control of any claim, assertion, event or proceeding in respect of Taxes of the Company (including, but not limited to, any such claim in respect of a breach of the representations and warranties in Section 3.22 hereof or any breach or violation of or failure to fully perform any covenant, agreement, undertaking or obligation in Article VI) shall be governed exclusively by Article VI hereof.

Section 8.06 Payments; Indemnification Escrow Fund.

(a) Once a Loss is agreed to by the Indemnifying Party or finally adjudicated to be payable pursuant to this Article VIII, the Indemnifying Party shall satisfy its obligations within 15 Business Days of such final, non-appealable adjudication (i) by wire transfer of immediately available funds or (ii) if the Indemnifying Party is a Stockholder, then, at such Stockholder's sole election, in Parent Shares based on the Share Price, provided that no more than an aggregate of 980,000 Parent Shares (including Escrow Shares and any Parent Shares subtracted from the Closing Base Merger Consideration pursuant to the Estimated Closing Adjustment) may be elected by such Stockholder to satisfy the Stockholders' collective obligations hereunder. The parties hereto agree that should an Indemnifying Party not make full payment of any such obligations within such 15 Business Day period, any amount payable shall accrue interest from and including the date of agreement of the Indemnifying Party or final, non-appealable adjudication to but including the date such payment has been made at a rate per annum equal to 8%. Such interest shall be calculated daily on the basis of a 365 day year and the actual number of days elapsed.

(b) Any Losses payable to a Parent Indemnitee pursuant to Article VIII shall be satisfied from the Indemnification Escrow Fund and to the extent the amount of Losses exceeds the amounts available to the Parent Indemnitee in the Indemnification Escrow Fund, from the Stockholders severally and not jointly (in accordance with their Pro Rata Shares).

(c) Upon the termination of the Indemnification Escrow Fund, pursuant to the terms of this Agreement, Parent shall issue any Escrow Shares remaining in the Indemnification Escrow Fund to the Stockholders in accordance with their Pro Rata Shares.

Section 8.07 Tax Treatment of Indemnification Payments. All indemnification payments made under this Agreement shall be treated by the parties as an adjustment to the Merger Consideration for Tax purposes, unless otherwise required by Law.

Section 8.08 Exclusive Remedies. Subject to Section 10.12, the parties acknowledge and agree that their sole and exclusive remedy with respect to any and all claims (other than claims arising from fraud, criminal activity or willful misconduct on the part of a party hereto in connection with the transactions contemplated by this Agreement) for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement, shall be pursuant to the indemnification provisions set forth in Article VI and this Article VIII. In furtherance of the foregoing, each party hereby waives, to the fullest extent permitted under Law, any and all rights, claims and causes of action for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement it may have against the other parties hereto and their Affiliates and each of their respective Representatives arising under or based upon any Law, except pursuant to the indemnification provisions set forth in Article VI and this Article VIII. Nothing in this Section 8.08 shall limit any Person's right to seek and obtain any equitable relief to which any Person shall be entitled or to seek any remedy on account of any party's fraudulent, criminal or intentional misconduct.

Section 8.09 Effect of Investigation. The representations, warranties and covenants of the Indemnifying Party, and the Indemnified Party's right to indemnification with respect thereto, shall not be affected or deemed waived by reason of any investigation made by or on behalf of the Indemnified Party (including by any of its Representatives) or by reason of the fact that the Indemnified Party or any of its Representatives knew or should have known that any such representation or warranty is, was or might be inaccurate or by reason of the Indemnified Party's waiver of any condition set forth in Section 2.03.

ARTICLE IX

TERMINATION

Section 9.01 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by the mutual written consent of the Company and Parent;

(b) by Parent by written notice to the Company if:

(i) neither Parent nor Merger Sub is then in material breach of any provision of this Agreement and there has been a breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by the Company pursuant to this Agreement that would give rise to the failure of any of the conditions specified in Article VII and such breach, inaccuracy or failure has not been cured by the Company within ten days of the Company's receipt of written notice of such breach from Parent; or

(ii) any of the conditions set forth in Section 7.01 or Section 7.02 shall not have been fulfilled by December 31, 2021, unless such failure shall be due to the failure of Parent or Merger Sub to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing;

(c) by the Company by written notice to Parent if:

(i) the Company is not then in material breach of any provision of this Agreement and there has been a breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by Parent or Merger Sub pursuant to this Agreement that would give rise to the failure of any of the conditions specified in Article VII and such breach, inaccuracy or failure has not been cured by Parent or Merger Sub within ten days of Parent's or Merger Sub's receipt of written notice of such breach from the Company; or

(ii) any of the conditions set forth in Section 7.01 or Section 7.03 shall not have been fulfilled by December 31, 2021, unless such failure shall be due to the failure of the Company to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing; or

(d) by Parent or the Company if there shall be any Law that makes consummation of the transactions contemplated by this Agreement illegal or otherwise prohibited or any Governmental Authority shall have issued a Governmental Order restraining or enjoining the transactions contemplated by this Agreement, and such Governmental Order shall have become final and non-appealable.

Section 9.02 Effect of Termination. In the event of the termination of this Agreement in accordance with this Article, this Agreement shall forthwith become void and there shall be no liability on the part of any party hereto except:

(a) as set forth in this Article IX, Section 5.01 and Article X hereof; and

(b) that nothing herein shall relieve any party hereto from liability for fraud or any willful breach of any provision hereof.

ARTICLE X

MISCELLANEOUS

Section 10.01 Stockholder Representative.

(a) By approving this Agreement and the transactions contemplated hereby or by executing and delivering a Letter of Transmittal, each Stockholder shall have irrevocably authorized and appointed Stockholder Representative as such Person's representative and attorney-in-fact to act on behalf of such Person with respect to this Agreement and to take any and all actions and make any decisions required or permitted to be taken by Stockholder Representative pursuant to this Agreement, including the exercise of the power to:

(i) give and receive notices and communications;

(ii) authorize cancellation of Escrow Shares from the Indemnification Escrow Fund, in satisfaction of any amounts owed to Parent in satisfaction of claims for indemnification made by Parent pursuant to Article VI and Article VIII;

(iii) agree to, negotiate, enter into settlements and compromises of, and comply with orders or otherwise handle any other matters described in Section 2.13;

(iv) agree to, negotiate, enter into settlements and compromises of, and comply with orders of courts with respect to claims for indemnification made by Parent pursuant to Article VI and Article VIII;

(v) litigate, arbitrate, resolve, settle or compromise any claim for indemnification pursuant to Article VI and Article VIII;

(vi) execute and deliver all documents necessary or desirable to carry out the intent of this Agreement and any Ancillary Document;

(vii) make all elections or decisions contemplated by this Agreement and any Ancillary Document;

(viii) engage, employ or appoint any agents or representatives (including attorneys, accountants and consultants) to assist Stockholder Representative in complying with its duties and obligations; and

(ix) take all actions necessary or appropriate in the good faith judgment of Stockholder Representative for the accomplishment of the foregoing.

Parent shall be entitled to deal exclusively with Stockholder Representative on all matters relating to this Agreement (including Article VIII) and shall be entitled to rely conclusively (without further evidence of any kind whatsoever) on any document executed or purported to be executed on behalf of any Stockholder by Stockholder Representative, and on any other action taken or purported to be taken on behalf of any Stockholder by Stockholder Representative, as being fully binding upon such Person. Notices or communications to or from Stockholder Representative shall constitute notice to or from each of the Stockholders. Any decision or action by Stockholder Representative hereunder, including any agreement between Stockholder Representative and Parent relating to the defense, payment or settlement of any claims for indemnification hereunder, shall constitute a decision or action of all Stockholders and shall be final, binding and conclusive upon each such Person. No Stockholder shall have the right to object to, dissent from, protest or otherwise contest the same. The provisions of this Section, including the power of attorney granted hereby, are independent and severable, are irrevocable and coupled with an interest and shall not be terminated by any act of any one or Stockholders, or by operation of Law, whether by death or other event.

(b) The Stockholder Representative may resign at any time, and may be removed for any reason or no reason by the vote or written consent of a majority in interest of the Stockholders based upon each Stockholder's Pro Rata Share (the "**Majority Holders**"); *provided*, *however*, in no event shall Stockholder Representative resign or be removed without the Majority Holders having first appointed a new Stockholder Representative who shall assume such duties immediately upon the resignation or removal of Stockholder Representative. In the event of the death, incapacity, resignation or removal of Stockholder Representative, a new Stockholder Representative shall be appointed by the vote or written consent of the Majority Holders. Notice of such vote or a copy of the written consent appointing such new Stockholder Representative shall be sent to Parent, such appointment to be effective upon the later of the date indicated in such consent or the date such notice is received by Parent; *provided*, that until such notice is received, Parent, Merger Sub and the Surviving Entity shall be entitled to rely on the decisions and actions of the prior Stockholder Representative as described in Section 10.01(a) above.

(c) The Stockholder Representative shall not be liable to the Stockholders for actions taken or failure to take action pursuant to this Agreement (including any service as a purchaser representative for any Stockholder that is not accredited), or any Ancillary Document except to the extent such actions or failure to take action shall have been determined by a court of competent jurisdiction to have constituted gross negligence or involved fraud, intentional misconduct or bad faith (it being understood that any act done or omitted pursuant to the advice of counsel, accountants and other professionals and experts retained by Stockholder Representative shall be conclusive evidence of good faith). The Stockholders shall severally and not jointly (in accordance with their Pro Rata Shares), indemnify and hold harmless Stockholder Representative from and against, compensate it for, reimburse it for and pay any and all losses, liabilities, claims, actions, damages and expenses, including reasonable attorneys' fees and disbursements, arising out of and in connection with its activities as Stockholder Representative under this Agreement (the "**Representative Losses**"), in each case as such Representative Loss is suffered or incurred; *provided*, that in the event it is finally adjudicated that a Representative Loss or any portion thereof was primarily caused by the gross negligence, fraud, intentional misconduct or bad faith of Stockholder Representative, Stockholder Representative shall reimburse the Stockholders the amount of such indemnified Representative Loss attributable to such gross negligence, fraud, intentional misconduct or bad faith. The Representative Losses shall be satisfied from the Stockholders severally and not jointly (in accordance with their Pro Rata Shares).

Section 10.02 Expenses. Except as otherwise expressly provided herein, all costs and expenses, including, without limitation, fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses, whether or not the Closing shall have occurred.

Section 10.03 Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or e-mail (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 10.03):

If to the Surviving Entity, Parent or Merger Sub or after Closing, the Company:	InMed Pharmaceuticals Inc. Suite 310 – 815 West Hastings St. Vancouver, BC, CANADA V6C 1B4 E-mail: bcolwill@inmedpharma.com Attention: Bruce Colwill, Chief Financial Officer
with a copy, which shall not constitute notice, to:	Norton Rose Fulbright US LLP 1301 McKinney Street, Suite 5100 Houston, Texas 77010 Attention: Brian Fenske E-mail: brian.fenske@nortonrosefulbright.com
If to the Company prior to Closing:	BayMedica, Inc. 930 Tahoe Blvd., Suite 802-433 Incline Village, NV 89451 E-mail: shane@baymedica.com Attention: Shane Johnson
with a copy, which shall not constitute notice, to:	Holland & Hart LLP 5441 Kietzke Lane, Suite 200 Reno, NV 89511 Attention: David Garcia; Todd Criger Email: dgarcia@hollandhart.com tmcriger@hollandhart.com
If to any Stockholder or the Stockholder Representative:	BM REP, LLC 930 Tahoe Boulevard, Suite 802-433 Incline Village, NV 89451 E-mail: shane@baymedica.com dscolbert4@gmail.com Attention: Shane Johnson; David Colbert

Section 10.04 Interpretation. For purposes of this Agreement, (a) the words “include,” “includes” and “including” shall be deemed to be followed by the words “without limitation”; (b) the word “or” is not exclusive; and (c) the words “herein,” “hereof,” “hereby,” “hereto” and “hereunder” refer to this Agreement as a whole. Unless the context otherwise requires, references herein: (x) to Articles, Sections, Disclosure Schedules and Exhibits mean the Articles and Sections of, and Disclosure Schedules and Exhibits attached to, this Agreement; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted. The Disclosure Schedules and Exhibits referred to herein shall be construed with, and as an integral part of, this Agreement to the same extent as if they were set forth verbatim herein.

Section 10.05 Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

Section 10.06 Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

Section 10.07 Entire Agreement. This Agreement and the Ancillary Documents constitute the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein and therein, and supersede all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the statements in the body of this Agreement and those in the Ancillary Documents, the Exhibits and Disclosure Schedules (other than an exception expressly set forth as such in the Disclosure Schedules), the statements in the body of this Agreement will control.

Section 10.08 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party may assign its rights or obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld, conditioned or delayed. No assignment shall relieve the assigning party of any of its obligations hereunder.

Section 10.09 No Third-party Beneficiaries. Except as provided in Section 6.03 and Article VIII, this Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 10.10 Amendment and Modification; Waiver. This Agreement may only be amended, modified or supplemented by an agreement in writing signed by Parent, Merger Sub, Company and Stockholder Representative. Any failure of Parent or Merger Sub, on the one hand, or the Company or the Stockholder Representative, on the other hand, to comply with any obligation, covenant, agreement or condition herein may be waived by the Stockholder Representative (with respect to any failure by Parent or Merger Sub) or by Parent or Merger Sub (with respect to any failure by the Company or Stockholder Representative), respectively, only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

Section 10.11 Governing Law; Submission to Jurisdiction; Waiver of Jury Trial.

(a) This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction).

(b) ANY LEGAL SUIT, ACTION OR PROCEEDING ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE ANCILLARY DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY MAY BE INSTITUTED IN THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA OR THE COURTS OF THE STATE OF NEW YORK IN EACH CASE LOCATED IN THE BOROUGH OF MANHATTAN, NEW YORK, AND EACH PARTY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS IN ANY SUCH SUIT, ACTION OR PROCEEDING. SERVICE OF PROCESS, SUMMONS, NOTICE OR OTHER DOCUMENT BY MAIL TO SUCH PARTY'S ADDRESS SET FORTH HEREIN SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY SUIT, ACTION OR OTHER PROCEEDING BROUGHT IN ANY SUCH COURT. THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR ANY PROCEEDING IN SUCH COURTS AND IRREVOCABLY WAIVE AND AGREE NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT OR THE ANCILLARY DOCUMENTS IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE ANCILLARY DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY TO THIS AGREEMENT CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL ACTION, (B) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.11(C).

Section 10.12 Specific Performance. The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity.

Section 10.13 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission (including .pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., www.docusign.com) shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

Section 10.14 Conflict Waiver; Transaction Privilege.

(a) After the Closing, with the prior written consent of the Parent (not to be unreasonably withheld), Holland & Hart LLP ("Seller Counsel") shall be allowed to represent the Stockholder Representative or any Stockholder in any matters and/or disputes adverse to Parent or the Surviving Entity that either is existing on the date hereof or that arises in the future and relates to the negotiation, preparation, execution, delivery and performance of this Agreement or any Ancillary Document, or any of the transactions contemplated hereunder or thereunder, if the Stockholder Representative requests a waiver of any conflicts in writing from the Parent and provides a good faith written summary of the matter or dispute and the prior involvement of Seller Counsel with respect to the matter or dispute on behalf of the Stockholders or Company.

(b) Parent (for itself and, for all periods after the Closing, the Surviving Entity) also further agrees that, as to all communications among Seller Counsel and the Company and its subsidiaries, the Stockholders and the Stockholder Representative, and any of their respective Affiliates that relate in any way to the negotiation, preparation, execution, delivery and performance of this Agreement and the Ancillary Documents, and the transactions contemplated hereunder and thereunder, including all right, title and interest in and to such communications, the attorney-client privilege, the expectation of client confidence, and all other rights to any evidentiary privilege belong to and may be controlled exclusively by the Stockholder Representative and shall not be deemed to have ever been conveyed, passed to, or claimed by Parent or any of its Affiliates or, following the Closing, by the Surviving Entity, as it relates to the contemplation, negotiation or drafting of this Agreement and the Ancillary Documents (including preparation of the Disclosure Schedules). Accordingly, no Person other than the Stockholder Representative controls the attorney-client privilege with respect to such privileged communication or is able to waive the privilege. In the event that Parent or the Surviving Entity is legally required by any Governmental Authority to access or obtain a copy of all or a portion of such privileged communications, Parent or the Surviving Entity (as applicable) shall be entitled to access or obtain a copy of and disclose such privileged communications to the extent necessary to comply with any such legal requirement; provided that, to the extent legally permissible, the Stockholder Representative is provided with prompt written notice of any such requirement prior to such access and disclosure so that the Stockholder Representative may in its sole discretion and at its sole cost and expense, seek a protective order or other appropriate remedy.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first written above.

INMED PHARMACEUTICALS, INC.

By: /s/ *Eric A. Adams*
Name: Eric A. Adams
Title: President and Chief Executive Officer

INMED LLC

By /s/ *Eric A. Adams*
Name: Eric A. Adams
Title: President and Chief Executive Officer

BAYMEDICA, INC.

By: /s/ *Shane A. Johnson*
Name: Shane A. Johnson
Title: President and Chief Executive Officer

BM REP, LLC,

solely in its capacity as Stockholder Representative

By: /s/ *Shane A. Johnson*
Name: Shane A. Johnson
Title: Manager

FOUNDERS AND STOCKHOLDERS

/s/ *Shane A. Johnson*

Shane A. Johnson

/s/ *Charles K. Marlowe*

Charles K. Marlowe

/s/ *Philip J. Barr*

Philip J. Barr

The Shane A. Johnson Trust DTD April 18, 1997, as amended, Shane A. Johnson TTEE

By /s/ *Shane A. Johnson*

Shane A. Johnson TTEE

Exhibit 4.6

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

THE HOLDER OF THIS SECURITY SHALL NOT TRADE THE SECURITY BEFORE THE INITIAL EXERCISE DATE SET FORTH BELOW.

FORM OF SERIES A COMMON SHARES PURCHASE WARRANT

INMED PHARMACEUTICALS INC.

Warrant Shares: _____ Initial Issuance Date: _____, 2021

Initial Exercise Date: _____, 2022[1]

THIS SERIES A COMMON SHARES PURCHASE WARRANT (the "Warrant") certifies that, for value received, _____ or its assigns (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the date set forth above (the "Initial Exercise Date") and on or prior to 5:00 p.m. (New York City time) _____[2] (the "Termination Date") but not thereafter, to subscribe for and purchase from InMed Pharmaceuticals Inc., a company incorporated under the laws of the Province of British Columbia (the "Company"), up to _____ shares (as subject to adjustment hereunder, the "Warrant Shares") of common shares of the Company (the "Common Shares"). The purchase price of one share of Common Shares under this Warrant shall be equal to the Exercise Price, as defined in Section 2(b).

Section 1. Definitions. In addition to the terms defined here and elsewhere in the Warrant, the following terms have the meanings indicated in this Section 1. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Agreement and Plan of Reorganization, dated [__], 2021, among the Company, InMed LLC, BayMedica, Inc., the stockholder representative listed therein and stockholders listed on the signature pages thereto (the "Merger Agreement").

"Commission" means the United States Securities and Exchange Commission.

"Common Shares" means the common shares in the capital of the Company, without par value, and any other class of securities into which such securities may hereafter be reclassified or changed.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Subsidiary" means any subsidiary of the Company and shall, where applicable, also include any direct or indirect subsidiary of the Company formed or acquired after the date hereof.

"Trading Day" means a day on which the Common Shares is traded on a Trading Market.

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1 Insert the date that is six (6) months plus one day after the Initial Issuance Date.

2 Insert the date that is the fifth (5th) year anniversary of the Initial Issuance Date, provided that, if such date is not a Trading Day, insert the immediately following Trading Day.

"Trading Market" means any of the following markets or exchanges on which the Common Shares are listed or quoted for trading on the date in question: the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the Toronto Stock Exchange, or the New York Stock Exchange (or any successors to any of the foregoing).

"Transfer Agent" means Computershare Investor Services Inc., with offices located at 510 Burrard Street, 3rd Floor, Vancouver, B.C., Canada V6C 3B9 and any successor transfer agent of the Company.

Section 2. Exercise.

a) Exercise of Warrant. Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company of a duly executed facsimile copy or PDF copy submitted by e-mail (or e-mail attachment) of the Notice of Exercise in the form annexed hereto (the "Notice of Exercise"). Within the earlier of (i) two (2) Trading Days and (ii) the number of Trading Days comprising the Standard Settlement Period (as defined below) following the date of exercise as aforesaid, the Holder shall deliver the aggregate Exercise Price for the Warrant Shares specified in the applicable Notice of Exercise by wire transfer or cashier's check drawn on a United States bank unless the cashless exercise procedure specified in Section 2(c) below is specified in the applicable Notice of Exercise. No ink-original Notice of Exercise shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Exercise be required. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within five (5) Business Days of the date on which the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. The Company shall deliver any objection to any Notice of Exercise within one (1) Trading Day of receipt of such notice. **The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.**

b) Exercise Price. The exercise price per share of Common Shares under this Warrant shall be [1.25 times Share Price], subject to adjustment hereunder (the "Exercise Price").

c) Cashless Exercise. This Warrant may not be exercised, in whole or in part, by means of a "cashless exercise" except after the Company has delivered to the Holder a Call Exercise Notice (as defined below). If the Company delivers to the Holder a Call Exercise Notice, then the Holder shall be entitled to elect to receive a number of Warrant Shares equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A)= as applicable: (i) the VWAP on the Trading Day immediately preceding the date of the applicable Notice of Exercise if such Notice of Exercise is (1) both executed and delivered pursuant to Section 2(a) hereof on a day that is not a Trading Day or (2) both executed and delivered pursuant to Section 2(a) hereof on a Trading Day prior to the opening of "regular trading hours" (as defined in Rule 600(b)(68) of Regulation NMS promulgated under the federal securities laws) on such Trading Day, (ii) the VWAP on the Trading Day immediately preceding the date of the applicable Notice of Exercise as of the time of the Holder's execution of the applicable Notice of Exercise if such Notice of Exercise is executed during "regular trading hours" on a Trading Day and is delivered within two (2) hours thereafter (including until two (2) hours after the close of "regular trading hours" on a Trading Day) pursuant to Section 2(a) hereof or (iii) the VWAP on the date of the applicable Notice of Exercise if the date of such Notice of Exercise is a Trading Day and such Notice of Exercise is both executed and delivered pursuant to Section 2(a) hereof after the close of "regular trading hours" on such Trading Day;

(B)= the Exercise Price of this Warrant, as adjusted hereunder; and

(X)= the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

"Bid Price" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Shares are then listed or quoted on a Trading Market, the bid price of the Common Shares for the time in question (or the nearest preceding date) on the Trading Market on which the Common Shares are then listed or quoted as reported by Bloomberg L.P. ("Bloomberg") (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the Common Shares for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Common Shares are not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Shares are then reported on The Pink Open Market (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Shares so reported, or (d) in all other cases, the fair market value of a share of Common Shares as determined by an independent appraiser selected in good faith by the Holders of a majority in interest of the Securities then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

"VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Shares are then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Shares for such date (or the nearest preceding date) on the Trading Market on which the Common Shares are then listed or quoted as reported by Bloomberg (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the Common Shares for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Common Shares are not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Shares are then reported on The Pink Open Market (or a similar organization or agency succeeding to its functions of reporting prices), the most recent Bid Price per share of the Common Shares so reported, or (d) in all other cases, the fair market value of a Common Share as determined by an independent appraiser selected in good faith by the Holders of a majority in interest of the Securities then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

If Warrant Shares are issued in such a cashless exercise, the parties acknowledge and agree that in accordance with Section 3(a)(9) of the Securities Act, the Warrant Shares shall take on the characteristics of the Warrants being exercised, and the holding period of the Warrant Shares being issued may be tacked on to the holding period of this Warrant. The Company agrees not to take any position contrary to this Section 2(c).

d) Mechanics of Exercise.

i. Delivery of Warrant Shares Upon Exercise. The Company shall cause the Warrant Shares purchased hereunder to be transmitted by the Transfer Agent to the Holder by crediting the account of the Holder's or its designee's balance account with The Depository Trust Company through its Deposit or Withdrawal at Custodian system ("DWAC") if the Company is then a participant in such system and either (A) there is an effective registration statement permitting the issuance of the Warrant Shares to or resale of the Warrant Shares by the Holder or (B) the Warrant Shares are eligible for resale by the Holder without volume or manner-of-sale limitations pursuant to Rule 144 (assuming cashless exercise of the Warrants), and otherwise by physical delivery of a certificate, registered in the Company's share register in the name of the Holder or its designee, for the number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the address specified by the Holder in the Notice of Exercise by the date that is the later of (i) two (2) Trading Days after the delivery to the Company of the Notice of Exercise, (ii) one (1) Trading Day after delivery of the aggregate Exercise Price to the Company and (iii) the number of Trading Days comprising the Standard Settlement Period after the delivery to the Company of the Notice of Exercise (such date, the "Warrant Share Delivery Date"). Upon delivery of the Notice of Exercise, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of the date of delivery of the Warrant Shares, provided that payment of the aggregate Exercise Price (other than in the case of a cashless exercise) is received within the earlier of (i) two (2) Trading Days and (ii) the number of Trading Days comprising the Standard Settlement Period following delivery of the Notice of Exercise. The Company agrees to maintain a transfer agent that is a participant in the FAST program so long as this Warrant remains outstanding and exercisable. As used herein, "Standard Settlement Period" means the standard settlement period, expressed in a number of Trading Days, on the Company's primary Trading Market with respect to the Common Shares as in effect on the date of delivery of the Notice of Exercise.

ii. Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the Warrant Shares, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. Rescission Rights. If the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares pursuant to Section 2(d)(i) by the Warrant Share Delivery Date, then the Holder will have the right to rescind such exercise.

iv. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round up to the next whole share.

v. Charges, Taxes and Expenses. Issuance of Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such Warrant Shares, and such Warrant Shares shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that, in the event that Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. The Company shall pay all Transfer Agent fees required for same-day processing of any Notice of Exercise and all fees to the Depository Trust Company (or another established clearing corporation performing similar functions) required for same-day electronic delivery of the Warrant Shares.

vi. Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

Section 3. Certain Adjustments.

a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Shares or any other equity or equity equivalent securities payable in Common Shares (which, for avoidance of doubt, shall not include any Common Shares issued by the Company upon exercise of this Warrant), (ii) subdivides outstanding Common Shares into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding Common Shares into a smaller number of shares, or (iv) issues by reclassification of shares of the Common Shares any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of Common Shares (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of Common Shares outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) Fundamental Transaction. If, at any time while this Warrant is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company (and all of its Subsidiaries, taken as a whole), directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Shares are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Shares, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Shares or any compulsory share exchange pursuant to which the Common Shares is effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off, merger or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than 50% of the outstanding Common Shares (not including any Common Shares held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a "Fundamental Transaction"), then this Warrant shall automatically be cancelled and the Holder shall receive, for each Warrant Share that would have been issuable immediately prior to the occurrence of such Fundamental Transaction the same per share consideration receivable as a result of such Fundamental Transaction by a holder of a Common Share less the Exercise Price upon execution and delivery of the same documentation as is required of a holder of Common Shares; *provided, however*, that if the Exercise Price is greater than the value of per share consideration the Holder would receive in the Fundamental Transaction then this Warrant shall automatically terminate. If holders of Common Shares are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice with respect to such Fundamental Transaction.

c) Company's Right to Purchase. At any time on and after the second anniversary date of the Initial Issuance Date, the Company shall have the right (the "Call Right"), but not the obligation, to cause the Holder to sell all of its remaining unexercised portion of this Warrant to the Company at the Call Purchase Price (defined below). If the Company desires to exercise its Call Right, the Company shall deliver to the Holder by email and either first class mail or overnight delivery service a written, unconditional and irrevocable notice (the "Call Exercise Notice") exercising the Call Right to the address of the Holder in the Warrant Register. Unless this Warrant has been fully exercised prior to such date, the purchase and sale of the Call Right shall close twenty (20) Trading Days after the date the Call Exercise Notice is sent to the Holder, and on such closing date the Company shall pay the purchase price to the Holder in immediately available funds by wire or other electronic funds transfer in accordance with instructions provided by the Holder at least three Trading Days prior to the closing date, or if no such instructions are provided, by check sent on the closing date by overnight delivery to the Holder's then current address set forth in the Warrant Register (as defined below). The purchase price for the Warrant Shares pursuant to the Call Right shall be the average VWAP for the twenty (20) consecutive Trading Days prior to the date of the Call Exercise Notice less the Exercise Price. Notwithstanding the foregoing, the Call Right can only be exercised if the Common Shares' average VWAP for the twenty (20) consecutive Trading Days prior to the date of the Call Exercise Notice is equal to or greater than three (3) times the Exercise Price.

d) Calculations. All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of Common Shares deemed to be issued and outstanding as of a given date shall be the sum of the number of Common Shares (excluding treasury shares, if any) issued and outstanding.

e) Notice to Holder.

i. Adjustment to Exercise Price. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, the Company shall promptly deliver to the Holder by email a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Warrant Shares and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Shares, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Shares, (C) the Company shall authorize the granting to all holders of the Common Shares rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Shares, any consolidation or merger to which the Company (and all of its Subsidiaries, taken as a whole) is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Shares is converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be delivered by email to the Holder at its last email address as it shall appear upon the Warrant Register of the Company, at least 5 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Shares of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Shares of record shall be entitled to exchange their shares of the Common Shares for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided in this Warrant constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K or otherwise make public disclosure of such information. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 4. Transferability of Warrant.

a) Transfer Restrictions. This Warrant may not be transferred in any manner prior to exercise without the prior consent of the Company.

b) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

c) Representation by the Holder. The Holder, by the acceptance hereof, represents and warrants that it is acquiring this Warrant and, upon any exercise hereof, will acquire the Warrant Shares issuable upon such exercise, for its own account and not with a view to or for distributing or reselling such Warrant Shares or any part thereof in violation of the Securities Act or any applicable state securities law, except pursuant to sales registered or exempted under the Securities Act.

Section 5. Miscellaneous.

a) No Rights as Stockholder Until Exercise; No Settlement in Cash. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a stockholder of the Company prior to the exercise hereof as set forth in Section 2(d)(i), except as expressly set forth in Section 3. Without limiting any rights of a Holder to receive Warrant Shares on a "cashless exercise" pursuant to Section 2(c) or to receive cash payments pursuant to Section 3(b) or Section 3(c) herein, in no event shall the Company be required to net cash settle an exercise of this Warrant.

b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

c) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

d) Authorized Shares.

The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued Common Shares a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of issuing the necessary Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the Common Shares may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (iii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant.

Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from the Trading Market or any public regulatory body or bodies having jurisdiction thereof, as applicable.

e) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Warrant (whether brought against a party hereto or their respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, Borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. Notwithstanding the foregoing, the foregoing provisions will not apply to any claims arising under the Securities Act or the Exchange Act, or any claim in which exclusive jurisdiction is vested in a court or forum other than the state or federal courts of the City of New York, Borough of Manhattan or for which these courts do not have subject matter jurisdiction. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Warrant and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. If either party shall commence an action, suit or proceeding to enforce any provisions of this Warrant, the prevailing party in such action, suit or proceeding shall be reimbursed by the other party for their reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such action or proceeding.

f) Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered, and the Holder does not utilize cashless exercise, will have restrictions upon resale imposed by state and federal securities laws.

g) Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder or Company shall operate as a waiver of such right or otherwise prejudice the Holder's or Company's rights, powers or remedies.

h) Notices. Any and all notices or other communications or deliveries to be provided by the Holders hereunder including, without limitation, any Notice of Exercise, shall be in writing and delivered personally, by facsimile or e-mail, or sent by a nationally recognized overnight courier service, addressed to the Company, at 310-815 W Hastings St., Vancouver, BC, Canada V6C 1B4, Attention: Chief Financial Officer, facsimile number: +1 (778) 945-6800, email address: warrants@inmedpharma.com, or such other facsimile number, email address or address as the Company may specify for such purposes by notice to the Holders. Any and all notices or other communications or deliveries to be provided by the Company hereunder shall be in writing and delivered personally, by or e-mail, or sent by a nationally recognized overnight courier service addressed to each Holder at the e-mail address or address of such Holder appearing on the books of the Company. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the time of transmission, if such notice or communication is delivered via facsimile at the facsimile number or via e-mail at the e-mail address set forth in this Section prior to 5:30 p.m. (New York City time) on any date, (ii) the next Trading Day after the time of transmission, if such notice or communication is delivered via facsimile at the facsimile number or via e-mail at the e-mail address set forth in this Section on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (iii) the second Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K.

i) Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any Common Shares or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

j) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

k) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

l) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company, on the one hand, and the Holder or the beneficial owner of this Warrant, on the other hand.

m) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

n) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

****

(Signature Page Follows)

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

INMED PHARMACEUTICALS INC.

By: _____

Name:
Title:

NOTICE OF EXERCISE

TO: **INMED PHARMACEUTICALS INC.**

(1) The undersigned hereby elects to purchase _____ Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall take the form of (check applicable box):

☐ in lawful money of the United States; or

☐ if permitted the cancellation of such number of Warrant Shares as is necessary, in accordance with the formula set forth in subsection 2(c), to exercise this Warrant with respect to the maximum number of Warrant Shares purchasable pursuant to the cashless exercise procedure set forth in subsection 2(c).

(3) Please issue said Warrant Shares in the name of the undersigned or in such other name as is specified below:

_____

The Warrant Shares shall be delivered to the following DWAC Account Number:

_____

_____

_____

(4) Accredited Investor. The undersigned is an "accredited investor" as defined in Regulation D promulgated under the Securities Act of 1933, as amended.

[SIGNATURE OF HOLDER]

Name of Investing Entity: _____

Signature of Authorized Signatory of Investing Entity: _____

Name of Authorized Signatory: _____

Title of Authorized Signatory: _____

Date: _____

ASSIGNMENT FORM

(To assign the foregoing Warrant, execute this form and supply required information. Do not use this form to purchase shares.)

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby assigned to

Name: _____
(Please Print)

Address: _____
(Please Print)

Phone Number: _____

Email Address: _____

Dated: _____ __, _____

Holder's Signature:_____

Holder's Address:_____

Exhibit 4.7

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

THE HOLDER OF THIS SECURITY SHALL NOT TRADE THE SECURITY BEFORE THE INITIAL EXERCISE DATE SET FORTH BELOW.

FORM OF SERIES B COMMON SHARES PURCHASE WARRANT

INMED PHARMACEUTICALS INC.

Warrant Shares: _____ Initial Issuance Date: _____, 2021

Initial Exercise Date: _____, 2022[1]

THIS SERIES B COMMON SHARES PURCHASE WARRANT (the "Warrant") certifies that, for value received, _____ or its assigns (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the date set forth above (the "Initial Exercise Date") and on or prior to 5:00 p.m. (New York City time) _____[2] (the "Termination Date") but not thereafter, to subscribe for and purchase from InMed Pharmaceuticals Inc., a company incorporated under the laws of the Province of British Columbia (the "Company"), up to _____ shares (as subject to adjustment hereunder, the "Warrant Shares") of common shares of the Company (the "Common Shares"). The purchase price of one share of Common Shares under this Warrant shall be equal to the Exercise Price, as defined in Section 2(b).

Section 1. Definitions. In addition to the terms defined here and elsewhere in the Warrant, the following terms have the meanings indicated in this Section 1. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Agreement and Plan of Reorganization, dated [_], 2021, among the Company, InMed LLC, BayMedica, Inc., the stockholder representative listed therein and stockholders listed on the signature pages thereto (the "Merger Agreement").

"Commission" means the United States Securities and Exchange Commission.

"Common Shares" means the common shares in the capital of the Company, without par value, and any other class of securities into which such securities may hereafter be reclassified or changed.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Subsidiary" means any subsidiary of the Company and shall, where applicable, also include any direct or indirect subsidiary of the Company formed or acquired after the date hereof.

"Trading Day" means a day on which the Common Shares is traded on a Trading Market.

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1 Insert the date that is six (6) months plus one day after the Initial Issuance Date.

2 Insert the date that is the fifth (5th) year anniversary of the Initial Issuance Date, provided that, if such date is not a Trading Day, insert the immediately following Trading Day.

"Trading Market" means any of the following markets or exchanges on which the Common Shares are listed or quoted for trading on the date in question: the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the Toronto Stock Exchange, or the New York Stock Exchange (or any successors to any of the foregoing).

"Transfer Agent" means Computershare Investor Services Inc., with offices located at 510 Burrard Street, 3rd Floor, Vancouver, B.C., Canada V6C 3B9 and any successor transfer agent of the Company.

Section 2. Exercise.

a) Exercise of Warrant. Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company of a duly executed facsimile copy or PDF copy submitted by e-mail (or e-mail attachment) of the Notice of Exercise in the form annexed hereto (the "Notice of Exercise"). Within the earlier of (i) two (2) Trading Days and (ii) the number of Trading Days comprising the Standard Settlement Period (as defined below) following the date of exercise as aforesaid, the Holder shall deliver the aggregate Exercise Price for the Warrant Shares specified in the applicable Notice of Exercise by wire transfer or cashier's check drawn on a United States bank unless the cashless exercise procedure specified in Section 2(c) below is specified in the applicable Notice of Exercise. No ink-original Notice of Exercise shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Exercise be required. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within five (5) Business Days of the date on which the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. The Company shall deliver any objection to any Notice of Exercise within one (1) Trading Day of receipt of such notice. **The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.**

b) Exercise Price. The exercise price per share of Common Shares under this Warrant shall be [2 times Share Price], subject to adjustment hereunder (the "Exercise Price").

c) Cashless Exercise. This Warrant may not be exercised, in whole or in part, by means of a "cashless exercise" except after the Company has delivered to the Holder a Call Exercise Notice (as defined below). If the Company delivers to the Holder a Call Exercise Notice, then the Holder shall be entitled to elect to receive a number of Warrant Shares equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A)= as applicable: (i) the VWAP on the Trading Day immediately preceding the date of the applicable Notice of Exercise if such Notice of Exercise is (1) both executed and delivered pursuant to Section 2(a) hereof on a day that is not a Trading Day or (2) both executed and delivered pursuant to Section 2(a) hereof on a Trading Day prior to the opening of "regular trading hours" (as defined in Rule 600(b)(68) of Regulation NMS promulgated under the federal securities laws) on such Trading Day, (ii) the VWAP on the Trading Day immediately preceding the date of the applicable Notice of Exercise as of the time of the Holder's execution of the applicable Notice of Exercise if such Notice of Exercise is executed during "regular trading hours" on a Trading Day and is delivered within two (2) hours thereafter (including until two (2) hours after the close of "regular trading hours" on a Trading Day) pursuant to Section 2(a) hereof or (iii) the VWAP on the date of the applicable Notice of Exercise if the date of such Notice of Exercise is a Trading Day and such Notice of Exercise is both executed and delivered pursuant to Section 2(a) hereof after the close of "regular trading hours" on such Trading Day;

(B) = the Exercise Price of this Warrant, as adjusted hereunder; and

(X)= the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

"Bid Price" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Shares are then listed or quoted on a Trading Market, the bid price of the Common Shares for the time in question (or the nearest preceding date) on the Trading Market on which the Common Shares are then listed or quoted as reported by Bloomberg L.P. ("Bloomberg") (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the Common Shares for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Common Shares are not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Shares are then reported on The Pink Open Market (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Shares so reported, or (d) in all other cases, the fair market value of a share of Common Shares as determined by an independent appraiser selected in good faith by the Holders of a majority in interest of the Securities then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

"VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Shares are then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Shares for such date (or the nearest preceding date) on the Trading Market on which the Common Shares are then listed or quoted as reported by Bloomberg (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the Common Shares for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Common Shares are not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Shares are then reported on The Pink Open Market (or a similar organization or agency succeeding to its functions of reporting prices), the most recent Bid Price per share of the Common Shares so reported, or (d) in all other cases, the fair market value of a Common Share as determined by an independent appraiser selected in good faith by the Holders of a majority in interest of the Securities then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

If Warrant Shares are issued in such a cashless exercise, the parties acknowledge and agree that in accordance with Section 3(a)(9) of the Securities Act, the Warrant Shares shall take on the characteristics of the Warrants being exercised, and the holding period of the Warrant Shares being issued may be tacked on to the holding period of this Warrant. The Company agrees not to take any position contrary to this Section 2(c).

d) Mechanics of Exercise.

i. Delivery of Warrant Shares Upon Exercise. The Company shall cause the Warrant Shares purchased hereunder to be transmitted by the Transfer Agent to the Holder by crediting the account of the Holder's or its designee's balance account with The Depository Trust Company through its Deposit or Withdrawal at Custodian system ("DWAC") if the Company is then a participant in such system and either (A) there is an effective registration statement permitting the issuance of the Warrant Shares to or resale of the Warrant Shares by the Holder or (B) the Warrant Shares are eligible for resale by the Holder without volume or manner-of-sale limitations pursuant to Rule 144 (assuming cashless exercise of the Warrants), and otherwise by physical delivery of a certificate, registered in the Company's share register in the name of the Holder or its designee, for the number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the address specified by the Holder in the Notice of Exercise by the date that is the later of (i) two (2) Trading Days after the delivery to the Company of the Notice of Exercise, (ii) one (1) Trading Day after delivery of the aggregate Exercise Price to the Company and (iii) the number of Trading Days comprising the Standard Settlement Period after the delivery to the Company of the Notice of Exercise (such date, the "Warrant Share Delivery Date"). Upon delivery of the Notice of Exercise, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of the date of delivery of the Warrant Shares, provided that payment of the aggregate Exercise Price (other than in the case of a cashless exercise) is received within the earlier of (i) two (2) Trading Days and (ii) the number of Trading Days comprising the Standard Settlement Period following delivery of the Notice of Exercise. The Company agrees to maintain a transfer agent that is a participant in the FAST program so long as this Warrant remains outstanding and exercisable. As used herein, "Standard Settlement Period" means the standard settlement period, expressed in a number of Trading Days, on the Company's primary Trading Market with respect to the Common Shares as in effect on the date of delivery of the Notice of Exercise.

ii. Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the Warrant Shares, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. Rescission Rights. If the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares pursuant to Section 2(d)(i) by the Warrant Share Delivery Date, then the Holder will have the right to rescind such exercise.

iv. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round up to the next whole share.

v. Charges, Taxes and Expenses. Issuance of Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such Warrant Shares, and such Warrant Shares shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that, in the event that Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. The Company shall pay all Transfer Agent fees required for same-day processing of any Notice of Exercise and all fees to the Depository Trust Company (or another established clearing corporation performing similar functions) required for same-day electronic delivery of the Warrant Shares.

vi. Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

Section 3. Certain Adjustments.

a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Shares or any other equity or equity equivalent securities payable in Common Shares (which, for avoidance of doubt, shall not include any Common Shares issued by the Company upon exercise of this Warrant), (ii) subdivides outstanding Common Shares into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding Common Shares into a smaller number of shares, or (iv) issues by reclassification of shares of the Common Shares any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of Common Shares (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of Common Shares outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) Fundamental Transaction. If, at any time while this Warrant is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company (and all of its Subsidiaries, taken as a whole), directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Shares are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Shares, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Shares or any compulsory share exchange pursuant to which the Common Shares is effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off, merger or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than 50% of the outstanding Common Shares (not including any Common Shares held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a "Fundamental Transaction"), then this Warrant shall automatically be cancelled and the Holder shall receive, for each Warrant Share that would have been issuable immediately prior to the occurrence of such Fundamental Transaction the same per share consideration receivable as a result of such Fundamental Transaction by a holder of a Common Share less the Exercise Price upon execution and delivery of the same documentation as is required of a holder of Common Shares; *provided, however*, that if the Exercise Price is greater than the value of per share consideration the Holder would receive in the Fundamental Transaction then this Warrant shall automatically terminate. If holders of Common Shares are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice with respect to such Fundamental Transaction.

c) Company's Right to Purchase. At any time on and after the third anniversary date of the Initial Issuance Date, the Company shall have the right (the "Call Right"), but not the obligation, to cause the Holder to sell all of its remaining unexercised portion of this Warrant to the Company at the Call Purchase Price (defined below). If the Company desires to exercise its Call Right, the Company shall deliver to the Holder by email and either first class mail or overnight delivery service a written, unconditional and irrevocable notice (the "Call Exercise Notice") exercising the Call Right to the address of the Holder in the Warrant Register. Unless this Warrant has been fully exercised prior to such date, the purchase and sale of the Call Right shall close twenty (20) Trading Days after the date the Call Exercise Notice is sent to the Holder, and on such closing date the Company shall pay the purchase price to the Holder in immediately available funds by wire or other electronic funds transfer in accordance with instructions provided by the Holder at least three Trading Days prior to the closing date, or if no such instructions are provided, by check sent on the closing date by overnight delivery to the Holder's then current address set forth in the Warrant Register (as defined below). The purchase price for the Warrant Shares pursuant to the Call Right shall be the average VWAP for the twenty (20) consecutive Trading Days prior to the date of the Call Exercise Notice less the Exercise Price. Notwithstanding the foregoing, the Call Right can only be exercised if the Common Shares' average VWAP for the twenty (20) consecutive Trading Days prior to the date of the Call Exercise Notice is equal to or greater than three (3) times the Exercise Price.

d) Calculations. All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of Common Shares deemed to be issued and outstanding as of a given date shall be the sum of the number of Common Shares (excluding treasury shares, if any) issued and outstanding.

e) Notice to Holder.

i. Adjustment to Exercise Price. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, the Company shall promptly deliver to the Holder by email a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Warrant Shares and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Shares, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Shares, (C) the Company shall authorize the granting to all holders of the Common Shares rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Shares, any consolidation or merger to which the Company (and all of its Subsidiaries, taken as a whole) is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Shares is converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be delivered by email to the Holder at its last email address as it shall appear upon the Warrant Register of the Company, at least 5 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Shares of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Shares of record shall be entitled to exchange their shares of the Common Shares for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided in this Warrant constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K or otherwise make public disclosure of such information. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 4. Transferability of Warrant.

a) Transfer Restrictions. This Warrant may not be transferred in any manner prior to exercise without the prior consent of the Company.

b) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

c) Representation by the Holder. The Holder, by the acceptance hereof, represents and warrants that it is acquiring this Warrant and, upon any exercise hereof, will acquire the Warrant Shares issuable upon such exercise, for its own account and not with a view to or for distributing or reselling such Warrant Shares or any part thereof in violation of the Securities Act or any applicable state securities law, except pursuant to sales registered or exempted under the Securities Act.

Section 5. Miscellaneous.

a) No Rights as Stockholder Until Exercise; No Settlement in Cash. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a stockholder of the Company prior to the exercise hereof as set forth in Section 2(d)(i), except as expressly set forth in Section 3. Without limiting any rights of a Holder to receive Warrant Shares on a "cashless exercise" pursuant to Section 2(c) or to receive cash payments pursuant to Section 3(b) or Section 3(c) herein, in no event shall the Company be required to net cash settle an exercise of this Warrant.

b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

c) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

d) Authorized Shares.

The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued Common Shares a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of issuing the necessary Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the Common Shares may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (iii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant.

Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from the Trading Market or any public regulatory body or bodies having jurisdiction thereof, as applicable.

e) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Warrant (whether brought against a party hereto or their respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, Borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. Notwithstanding the foregoing, the foregoing provisions will not apply to any claims arising under the Securities Act or the Exchange Act, or any claim in which exclusive jurisdiction is vested in a court or forum other than the state or federal courts of the City of New York, Borough of Manhattan or for which these courts do not have subject matter jurisdiction. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Warrant and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. If either party shall commence an action, suit or proceeding to enforce any provisions of this Warrant, the prevailing party in such action, suit or proceeding shall be reimbursed by the other party for their reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such action or proceeding.

f) Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered, and the Holder does not utilize cashless exercise, will have restrictions upon resale imposed by state and federal securities laws.

g) Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder or Company shall operate as a waiver of such right or otherwise prejudice the Holder's or Company's rights, powers or remedies.

h) Notices. Any and all notices or other communications or deliveries to be provided by the Holders hereunder including, without limitation, any Notice of Exercise, shall be in writing and delivered personally, by facsimile or e-mail, or sent by a nationally recognized overnight courier service, addressed to the Company, at 310-815 W Hastings St., Vancouver, BC, Canada V6C 1B4, Attention: Chief Financial Officer, facsimile number: +1 (778) 945-6800, email address: warrants@inmedpharma.com, or such other facsimile number, email address or address as the Company may specify for such purposes by notice to the Holders. Any and all notices or other communications or deliveries to be provided by the Company hereunder shall be in writing and delivered personally, by or e-mail, or sent by a nationally recognized overnight courier service addressed to each Holder at the e-mail address or address of such Holder appearing on the books of the Company. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the time of transmission, if such notice or communication is delivered via facsimile at the facsimile number or via e-mail at the e-mail address set forth in this Section prior to 5:30 p.m. (New York City time) on any date, (ii) the next Trading Day after the time of transmission, if such notice or communication is delivered via facsimile at the facsimile number or via e-mail at the e-mail address set forth in this Section on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (iii) the second Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K.

i) Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any Common Shares or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

j) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

k) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

l) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company, on the one hand, and the Holder or the beneficial owner of this Warrant, on the other hand.

m) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

n) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

****

(Signature Page Follows)

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

INMED PHARMACEUTICALS INC.

By: _____

Name:
Title:

NOTICE OF EXERCISE

TO: **INMED PHARMACEUTICALS INC.**

(1) The undersigned hereby elects to purchase _____ Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall take the form of (check applicable box):

☐ in lawful money of the United States; or

☐ if permitted the cancellation of such number of Warrant Shares as is necessary, in accordance with the formula set forth in subsection 2(c), to exercise this Warrant with respect to the maximum number of Warrant Shares purchasable pursuant to the cashless exercise procedure set forth in subsection 2(c).

(3) Please issue said Warrant Shares in the name of the undersigned or in such other name as is specified below:

_____

The Warrant Shares shall be delivered to the following DWAC Account Number:

_____

_____

_____

(4) Accredited Investor. The undersigned is an "accredited investor" as defined in Regulation D promulgated under the Securities Act of 1933, as amended.

[SIGNATURE OF HOLDER]

Name of Investing Entity: _____

Signature of Authorized Signatory of Investing Entity: _____

Name of Authorized Signatory: _____

Title of Authorized Signatory: _____

Date: _____

ASSIGNMENT FORM

(To assign the foregoing Warrant, execute this form and supply required information. Do not use this form to purchase shares.)

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby assigned to

Name: _____
(Please Print)

Address: _____
(Please Print)

Phone Number: _____

Email Address: _____

Dated: _____ __, _____

Holder's Signature:_____

Holder's Address:_____

Exhibit 10.10

INDEMNITY AGREEMENT

This AGREEMENT is made effective as of the 12th day of December 2019

BETWEEN:

INMED PHARMACEUTICALS INC., a British Columbia company having a principal place of business at Suite 310 – 815 West Hastings St., Vancouver, British Columbia, V6C 1B4, Canada

(the "**Company**")

AND:

[●], a Director of the Company having an address at [●]

(the "**Indemnitee**")

WHEREAS, it is essential to the Company to retain and attract as Directors and Officers the most capable persons available;

AND WHEREAS, the Indemnitee has been asked to serve as a Director;

AND WHEREAS, it is the express policy of the Company to indemnify its Directors and certain of its Officers so as to provide them with the maximum possible protection permitted by law;

AND WHEREAS, the Indemnitee may not be willing to serve as a Director without adequate protection, and the Company desires the Indemnitee to serve in such capacity;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Definitions**. In this Agreement, except as otherwise expressly provided:

(a) the phrase "decided in a Proceeding" shall mean a decision by a court, arbitrator(s), administrative tribunal, regulatory authority or other entity, having the requisite legal authority to make such a decision, which decision has become final and from which no appeal or other review proceeding is permissible.

(b) the terms "Director" and "Officer" include:

(i) the Indemnitee's service as a director or officer of the Company;

(ii) the Indemnitee's service as a director or officer of another corporation:

(A) at a time when the corporation is or was an affiliate of the Company as defined in the *Business Corporations Act* (British Columbia), as amended from time to time, or any successor legislation; or

(B) at the request of the Company; and

(iii) the Indemnitee's service in a position equivalent to that of a director or officer of a partnership, trust, joint venture or other unincorporated entity, at the request of the Company.

(c) the term “Expenses” include costs, charges and expenses, including legal and other fees, and any expenses of establishing a right to indemnification under this Agreement, but does not include judgements, penalties, fines, statutory liabilities or amounts paid in settlement of a Proceeding;

(d) the term “Indemnitee” includes his or hers or her heirs and personal or other legal representatives;

(e) the term “Liability” includes a judgement, penalty or fine awarded or imposed in, or an amount paid in settlement of, a Proceeding, including any liability which is or may be imposed upon the Indemnitee by statute, rule or regulation; and

(f) the term “Proceeding” includes but is not limited to, any action, suit or proceeding, whether current, threatened, pending or completed and whether brought by or in the right of the Company or otherwise and whether of a civil, criminal, administrative or investigative nature in which the Indemnitee, by reason of being or having been a Director or Officer or legal counsel to the Company:

(i) is or may be joined as a party; or

(ii) is or may be liable for, or in respect of, a Liability or Expenses related to such action, suit or proceeding.

2. **Indemnity of Director or Officer**. Subject only to the limitations set forth in Section 3, the Company shall indemnify the Indemnitee against any Liability to which the Indemnitee is or may be liable and shall pay the Expenses actually and reasonably incurred by the Indemnitee because of any claim or claims made against him or her in a Proceeding by reason of the fact that he or she is or was a Director and/or Officer to the Company. This Agreement is to be interpreted broadly and purposively so as to provide the Indemnitee with the broadest possible entitlement to the advancement of Expenses and to indemnification, except as prohibited by law. This Agreement is intended to protect the Indemnitee to the fullest extent permitted by the Act and, in the event that the Act is amended to permit a broader scope of Indemnification, the provisions of this Agreement shall be deemed to be amended concurrently so as to provide such broader indemnification.

3. **Limitations on Indemnity**. The Company shall not be obligated under this Agreement to indemnify the Indemnitee against any Liability or pay any Expenses of the Indemnitee:

(a) if the Company is prohibited by applicable law from making such payments as finally decided in a Proceeding;

(b) if such payments have been paid to, or on behalf of, the Indemnitee under an insurance policy, except in respect of any excess beyond the amount paid under such insurance;

(c) for which payments the Indemnitee is indemnified by the Company otherwise than pursuant to this Agreement; or

(d) resulting from a claim decided in a Proceeding adversely to the Indemnitee based upon or attributable to the Indemnitee gaining in fact any personal profit or advantage to which he or she or she was not legally entitled, including any profits made from the purchase or sale by the Indemnitee of securities of the Company.

4. **Advance Payment of Expenses**. Expenses incurred by the Indemnitee in defending a claim against him or her in a Proceeding shall be paid by the Company as incurred and in advance of the final disposition of such Proceeding; provided, however, that Expenses of defence need not be paid as incurred and in advance where a court of competent jurisdiction has decided that the Indemnitee is not entitled to be indemnified pursuant to this Agreement or otherwise. If any payment by the Company under this Indemnity Agreement would be prohibited unless approved by a court, or if there shall be a disagreement between the Company and any Indemnitee as to whether or not an indemnification under this Indemnity Agreement would be prohibited unless approved by the court, the Company, at its own expense and in good faith, will promptly take proceedings to obtain that approval or such other appropriate determination. The Company shall indemnify the Indemnitees for the amount of all costs incurred by any or all of them in obtaining any court approval contemplated by this paragraph 4, including without limitation all legal fees and disbursements. In any judicial proceeding commenced pursuant to this paragraph 4, the Company shall have the burden of proving that Indemnitees are not entitled to advance payment of Expenses. The Indemnitee hereby agrees and undertakes to repay such amounts advanced if it shall be decided in a Proceeding that he or she is not entitled to be indemnified by the Company pursuant to this Agreement or otherwise.

5. **Enforcement**. If a claim under this Agreement is not paid by the Company, or on its behalf, within thirty days after a written claim has been received by the Company, the Indemnitee may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim and if successful in whole or in part, the Indemnitee shall also be entitled to be paid the Expenses of prosecuting such claim.

6. **Settlement by the Indemnitee**. The Indemnitee has the right to appoint and instruct independent counsel to act on his or her behalf with respect to a Proceeding, without the involvement of the Company or any other indemnitee, subject to the following:

   (a) the Company will be entitled to associate in the defence of the Indemnitee, if or to the extent that there is no material conflict of interest between the Indemnitee and the Company or another eligible party (including a conflict of interest as to the Indemnitee's entitlement to the advancement of Expenses or to indemnification);

   (b) if the Company or another indemnitee is a party to the Proceeding, the Indemnitee will accept common representation in the Proceeding with the Company or such other Eligible Party, unless and to the extent there exists a material conflict of interest among them (including a conflict of interest as to the Indemnitee's entitlement to the advancement of Expenses or to indemnification);

   (c) if the Indemnitee declines common representation in circumstances where it is authorized under subsection (b), the Indemnitee will be responsible for the Expenses of his or her representation to the extent they exceed a reasonably allocated share of the expenses that probably would have been incurred had the Indemnitee accepted common representation, and will not be entitled to the advancement of such Expenses; and

(d) The Indemnitee may settle, as against him or herself, a Proceeding, acting reasonably and in good faith toward the Company, without the permission of the Company, provided that (i) the Indemnitee provides the Company with written notice of the terms of a proposed settlement prior to entering into such settlement, upon reasonable terms as to confidentiality, (ii) the Indemnitee will pay any compensation, payment costs or other liabilities to be under such settlement and the costs of negotiating and implementing such settlement, and will not seek indemnity from the Company in respect of such compensation, payment, costs or other liabilities and will repay any advance of Expenses previously made by the Company in respect of such Proceeding, and (iii) the settlement may not include a statement as to, or in admission of, fault, culpability or a failure to act by or on behalf of the Company or any related entity. The Indemnitee will not dispute that such a settlement is binding upon the Indemnitee and is determinative of the Indemnitee's liability to the claimant(s) in the Proceeding. Nothing in this Agreement entitles the Indemnitee to make or purport to make a settlement or any admission of liability to a third party on behalf of the Company in settling a Proceeding.

7. **Subrogation**. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

8. **Taxable Benefit**. Should any payment made pursuant to this Agreement, including without limitation the payment of insurance premiums or any payment made by an insurer under an insurance policy, be deemed to constitute a taxable benefit or otherwise be or become subject to any tax or levy, then the Company shall pay such amount as may be necessary to ensure that the amount received by or on behalf of the Indemnitee, after the payment of or withholding for such tax, fully reimburses the Indemnitee for the actual cost, expense or liability incurred by or on his behalf.

9. **Insolvency**. It is the intention of the Parties that this Agreement and the obligations of the Company will not be affected, discharged, impaired, mitigated, or released by any bankruptcy, insolvency, receivership, reorganization or arrangement of the Company, or other similar event or proceeding, and that in such event any amount to which the Indemnitee is or may become entitled under this Agreement will be treated in the same manner as the other fees or expenses of the directors and officers of the Company.

10. **Notice**. The Indemnitee, as a condition precedent to his or hers right to be indemnified under this Agreement, shall give to the Company notice in writing as soon as practicable of any claim made against him for which indemnity will or could be sought under this Agreement. Notice to the Company shall be given at its principal office and shall be directed to the Corporate Secretary (or such other address as the Company shall designate in writing to the Indemnitee); notice shall be deemed received if sent by prepaid mail properly addressed, the date of such notice being the date postmarked. In addition, the Indemnitee shall give the Company such information and cooperation as it may reasonably require.

11. **Indemnification Hereunder Not Exclusive**. Nothing herein shall be deemed to diminish or otherwise restrict the Indemnitee's right to indemnification under any provision of the Notice of Articles or Articles of the Company or under applicable corporate law.

12. **Continuation of Indemnification**. The indemnification under this Agreement shall continue as to the Indemnitee even though he or she may have ceased to be a Director and/or Officer and/or legal counsel and shall enure to the benefit of the heirs and personal representatives of the Indemnitee.

13. **Coverage of Indemnification**. The indemnification under this Agreement shall cover the Indemnitee's service as a Director and/or Officer prior to or after the date of the Agreement.

14. **Applicable Law**. This Agreement is governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

15. **Benefit**. This Agreement will enure to the benefit of and be binding upon the parties and their respective heirs, executors, administrators, successors and assigns.

16. **Severability**. If any provision of this Agreement is determined at any time by a court of competent jurisdiction to be invalid, illegal or unenforceable such provision or part thereof shall be severable from this Agreement and the remainder of this Agreement will be construed as if such invalid, illegal or unenforceable provision or part thereof had been deleted herefrom.

17. **Further Assurances**. Each party agrees to take all such actions and execute all such documents within its power as may be necessary or desirable to carry out or implement and give full effect to the provisions and intent of this Agreement.

18. **Time of the Essence**. Time is the essence of this Agreement and no extension of time shall constitute a waiver of this provision.

19. **Waivers**. No waiver of, no consent with respect to, and no approval required under any provision of this Agreement will be effective unless in writing executed by the party against whom such waiver, consent or approval is sought to be enforced, and then any such waiver, consent or approval will be effective only in the specific instance and for the specific purpose given.

20. **Counterparts**. This Agreement may be executed in one or more counterparts, each of which when taken together will constitute this Agreement.

IN WITNESS WHEREOF the parties have executed this Agreement.

INMED PHARMACEUTICALS INC.

Per: _____
Authorized signatory

Per: _____
[●]

Exhibit 21.1

SUBSIDIARIES OF INMED PHARMACEUTICALS INC.

No significant subsidiaries

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

InMed Pharmaceuticals Inc.:

We consent to the incorporation by reference in the Registration Statement (No. 333-253912) on Form S-8 of InMed Pharmaceuticals Inc. (the Company) of our report dated September 24, 2021, with respect to the consolidated financial statements of the Company.

/s/ KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
September 24, 2021

Exhibit 31.1

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

I, Eric A. Adams, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: September 24, 2021

/s/ Eric A. Adams

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

Exhibit 31.2

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

I, Bruce Colwill, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: September 24, 2021

/s/ Bruce Colwill

Name: Bruce Colwill
Title: Chief Financial Officer

Exhibit 32.1

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

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

1. The Annual Report on Form 10-K for the year ended June 30, 2021 (the "Report") of the Company fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

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

Date: September 24, 2021

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

Exhibit 32.2

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

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

1. The Annual Report on Form 10-K for the year ended June 30, 2021 (the "Report") of the Company fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

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

Date: September 24, 2021

/s/ Bruce Colwill

Name: Bruce Colwill
Title: Chief Financial Officer