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

FORM 10-Q

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

For the quarterly period ended March 31, 2023

or

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

For the transition period from _____ to _____

Commission File Number: 001-39685

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

British Columbia, Canada	**98-1428279**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Suite 310 - 815 W. Hastings Street, Vancouver, B.C. Canada	**V6C 1B4**
(Address of Principal Executive Offices)	(Zip Code)

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

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

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

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

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

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

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

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

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

As of May 15, 2023, the registrant had 3,328,191 common shares, without par value, outstanding.

INDEX

PART I

ITEM 1. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS.

Unaudited Condensed Consolidated Interim Financial Statements of

InMed Pharmaceuticals Inc.

For the Three and Nine Months Ended March 31, 2023 and 2022

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

InMed Pharmaceuticals Inc.
(Expressed in U.S. Dollars)
March 31, 2023

INDEX **Page**

Financial Statements (Unaudited)

InMed Pharmaceuticals Inc.
CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
As of March 31, 2023 (unaudited) and June 30, 2022
Expressed in U.S. Dollars

	Note	**March 31, 2023**	June 30, 2022
ASSETS		**$**	$
Current			
Cash and cash equivalents		**9,604,057**	6,176,866
Short-term investments		**43,055**	44,804
Accounts receivable, net		**170,299**	88,027
Inventories	4	**1,329,931**	2,490,854
Prepaids and other current assets		**695,203**	797,225
Total current assets		**11,842,545**	9,597,776
Non-Current			
Property, equipment and ROU assets, net	5	**753,241**	904,252
Intangible assets, net	6	**1,986,826**	2,108,915
Other assets		**147,489**	176,637
Total Assets		**14,730,101**	12,787,580
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	7	**1,829,924**	2,415,265
Current portion of lease obligations	10	**423,574**	404,276
Deferred rent		**16,171**	-
Acquisition consideration payable		**-**	500,000
Total current liabilities		**2,269,669**	3,319,541
Non-current			
Lease obligations, net of current portion	10	**72,794**	389,498
Total Liabilities		**2,342,463**	3,709,039
Commitments and Contingencies (Note 14)			
Shareholders' Equity			
Common shares, no par value, unlimited authorized shares:			
3,328,191 (June 30, 2022 - 650,667) issued and outstanding	8	**77,620,252**	70,718,461
Additional paid-in capital	8, 9	**35,700,635**	31,684,098
Accumulated deficit		**(101,061,818)**	(93,452,587)
Accumulated other comprehensive income		**128,569**	128,569
Total Shareholders' Equity		**12,387,638**	9,078,541
Total Liabilities and Shareholders' Equity		**14,730,101**	12,787,580
Related Party Transactions (Note 16)			

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

InMed Pharmaceuticals Inc.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS (unaudited)
For the three and nine months ended March 31, 2023 and 2022
Expressed in U.S. Dollars

	Note	Three Months Ended March 31		Nine Months Ended March 31	
		2023	2022	**2023**	2022
		$	$	**$**	$
Sales		**1,033,925**	309,585	**1,824,496**	574,677
Cost of sales		**841,414**	127,308	**1,415,068**	280,845
Inventory write-down	4	**-**	-	**576,772**	-
Gross profit (loss)		**192,511**	182,277	**(167,344)**	293,832
Operating Expenses					
Research and development and patents		**878,303**	1,753,545	**3,108,312**	5,781,867
General and administrative		**1,412,727**	1,915,017	**4,438,083**	5,124,670
Amortization and depreciation	5, 6	**50,689**	53,340	**148,786**	131,669
Total operating expenses		**2,341,719**	3,721,902	**7,695,181**	11,038,206
Other Income (Expense)					
Interest and other income		**155,497**	30,964	**343,881**	62,389
Foreign exchange gain (loss)		**(2,733)**	32,996	**(79,287)**	(48,109)
Loss before income taxes		**(1,996,444)**	(3,475,665)	**(7,597,931)**	(10,730,094)
Tax expense		**(1,500)**	-	**(11,300)**	-
Net loss for the period		**(1,997,944)**	(3,475,665)	**(7,609,231)**	(10,730,094)
Net loss per share for the period Basic and diluted	11	**(0.60)**	(6.14)	**(3.53)**	(20.13)
Weighted average outstanding common shares Basic and diluted	11	**3,328,191**	566,062	**2,156,283**	533,070

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

InMed Pharmaceuticals Inc.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY (unaudited)
For the three and nine months ended March 31, 2023 and 2022
Expressed in U.S. Dollars

	Note	Common Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
		#	$	$	$	$	$
Balance June 30, 2022		650,667	70,718,461	31,684,098	(93,452,587)	128,569	9,078,541
Activity for the six months to December 31, 2022							
Private placement	8	240,000	673,748	11,326,042	-	-	11,999,790
Share issuance costs	8	-	(115,955)	(1,895,311)	-	-	(2,011,266)
Agents' investment options		-	-	691,483	-	-	691,483
Exercise of pre-funded warrants	8	699,325	3,586,170	(3,585,698)	-	-	472
Loss for the period		-	-	-	(5,611,287)	-	(5,611,287)
Share-based compensation	9	-	-	187,318	-	-	187,318
Balance December 31, 2022		**1,589,992**	**74,862,424**	**38,407,932**	**(99,063,874)**	**128,569**	**14,335,051**
Activity for the three months to March 31, 2023							
Exercise of pre-funded warrants	8	1,738,199	2,757,828	(2,757,654)	-	-	174
Loss for the period		-	-	-	(1,997,944)	-	(1,997,944)
Share-based compensation	9	-	-	50,357	-	-	50,357
Balance March 31, 2023		**3,328,191**	**77,620,252**	**35,700,635**	**(101,061,818)**	**128,569**	**12,387,638**

	Note	Common Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
		#	$	$	$	$	$
Balance June 30, 2021		322,028	60,587,417	21,513,051	(74,852,470)	128,569	7,376,567
Activity for the six months to December 31, 2021							
Private placement	10	35,600	1,459,051	10,540,635	-	-	11,999,686
Share issuance costs	10	-	(247,336)	(1,786,831)	-	-	(2,034,167)
Agents' warrants		-	-	739,920	-	-	739,920
Exercise of pre-funded warrants	10	125,853	4,283,969	(4,283,654)	-	-	315
Acquisition of BayMedica	7	82,000	3,013,500	-	-	-	3,013,500
Loss for the period		-	-	-	(7,254,429)	-	(7,254,429)
Share-based compensation	11	-	-	325,921	-	-	325,921
Balance December 31, 2021		**565,481**	**69,096,601**	**27,049,042**	**(82,106,899)**	**128,569**	**14,167,313**
Activity for the three months to March 31, 2022							
Cashless exercise of warrants	10	5,873	728,730	(728,730)	-	-	-
Loss for the period		-	-	-	(3,475,665)	-	(3,475,665)
Share-based compensation	11	-	-	195,085	-	-	195,085
Balance March 31, 2022		**571,354**	**69,825,331**	**26,515,397**	**(85,582,564)**	**128,569**	**10,886,733**

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

InMed Pharmaceuticals Inc.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (unaudited)
For the nine months ended March 31, 2023 and 2022
Expressed in U.S. Dollars

	Note	2023	2022
Cash provided by (used in):		**$**	$
Operating Activities			
Net loss		**(7,609,231)**	(10,730,094)
Items not requiring cash:			
Amortization and depreciation	5, 6	**148,786**	131,669
Share-based compensation	9	**237,675**	521,006
Amortization of right-of-use assets		**296,239**	226,061
Loss on disposal of assets		**-**	11,355
Change in value of short-term investments		**(392)**	46
Unrealized foreign exchange loss		**2,138**	312
Inventory write-down	4	**576,772**	-
Bad debts		**25,085**	-
Changes in operating assets and liabilities:			
Inventories		**584,151**	(933,260)
Prepaids and other currents assets		**102,022**	(323,653)
Other non-current assets		**5,507**	6,580
Accounts receivable		**(107,357)**	(22,535)
Accounts payable and accrued liabilities		**(585,341)**	(195,125)
Deferred rent		**16,171**	3,760
Lease obligations		**(317,490)**	(232,633)
Total cash used in operating activities		**(6,625,265)**	(11,536,511)
Investing Activities			
Cash acquired from acquisition of BayMedica		**-**	91,566
Payment of acquisition consideration payable		**(500,000)**	-
Payment of deposit on equipment		**(128,198)**	-
Purchase of property and equipment		**-**	(39,108)
Total cash (used in) provided by investing activities		**(628,198)**	52,458
Financing Activities			
Shares issued for cash	8	**12,000,436**	12,000,001
Share issuance costs	8	**(1,319,782)**	(1,294,247)
Repayment of debt		**-**	(261,514)
Settlement of debt upon acquisition of subsidiary		**-**	(425,000)
Total cash provided by financing activities		**10,680,654**	10,019,240
Increase (decrease) in cash during the period		**3,427,191**	(1,464,813)
Cash and cash equivalents beginning of the period		**6,176,866**	7,363,126
Cash and cash equivalents end of the period		**9,604,057**	5,898,313

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

1. CORPORATE INFORMATION AND CONTINUING OPERATIONS

Business

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 developing a pipeline of prescription-based products, including rare cannabinoids and novel cannabinoid analogs, targeting the treatment of diseases with high unmet medical needs as well as developing proprietary manufacturing technologies to produce rare cannabinoids for sale in the health and wellness industry.

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

Liquidity

Through March 31, 2023, 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 approximately $7.6 million and $10.7 million for the nine months ended March 31, 2023 and 2022, respectively. In addition, the Company had an accumulated deficit of approximately $101.1 million at March 31, 2023. The Company expects to continue to generate operating losses for the foreseeable future.

As of the issuance date of these condensed consolidated interim financial statements, the Company expects its cash and cash equivalents of $9.6 million as of March 31, 2023 will be sufficient to fund its operating expenses and capital expenditure requirements into the first quarter of calendar 2024, and possibly into the second quarter of calendar 2024 , depending on the level and timing of realizing BayMedica revenues from the sale of bulk rare cannabinoids in the health & wellness sector as well as the level and timing of the Company operating expenses. The future viability of the Company is dependent on its ability to raise additional capital to finance its operations. As a result of the recurring losses and requirement for cash in the first quarter of calendar 2024 or the second quarter of calendar 2024, 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 shareholders.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These unaudited condensed consolidated interim 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") for financial information. Accordingly, these financial statements do not include all the information and footnotes required for complete financial statements and should be read in conjunction with the audited consolidated financial statements of the Company and the accompanying notes thereto for the year ended June 30, 2022.

These unaudited condensed consolidated interim financial statements reflect all adjustments, consisting solely of normal recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of results for the interim periods presented. The results of operations for the three and nine months ended March 31, 2023 and 2022 are not necessarily indicative of results that can be expected for a full year. These unaudited condensed consolidated interim financial statements follow the same significant accounting policies as those described in the notes to the audited consolidated financial statements of the Company for the year ended June 30, 2022.

The functional currency of the Company and its subsidiaries is the U.S. Dollar. These condensed consolidated interim 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.

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, and determining the fair value of share-based payments and warrants.

(Expressed in U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Recent Accounting Pronouncements Not Yet Adopted

The Company has reviewed recent accounting pronouncements and concluded that they are either not applicable to the Company or that there was no material impact or no material impact is expected in the consolidated financial statements as a result of future adoption.

3. CUSTOMER CONCENTRATION

The Company's 4 largest customers, represent 22%, 21%, 17% and 11%, totaling approximately 72% of our sales during the three months ended March 31, 2023. The Company's 3 largest customers, represent 17%, 15% and 14%, totaling approximately 46% of its sales during the nine months ended March 31, 2023. As of March 31, 2023, 3 customers represented 29%, 20% and 12%, totaling 61% of total gross outstanding accounts receivable.

The Company's 2 largest customers, represent 38% and 35%, totaling approximately 73% of our sales during the three months ended March 31, 2022. The Company's 3 largest customers, represent 28%, 20% and 17%, totaling approximately 65% of our sales during the nine months ended March 31, 2022.

4. INVENTORIES

Inventories consisted of the following:

	March 31, 2023	June 30, 2022
	$	$
Raw materials	**387,071**	292,577
Work in process	**548,593**	1,724,851
Finished goods	**394,267**	473,426
Inventories	**1,329,931**	2,490,854

During the nine months ended March 31, 2023, the write-down of inventories to net realizable value was $576,772 (2021 - $Nil). Contributing factors to the decrease in net realizable value included lower demand and downward pricing pressure for certain products.

5. PROPERTY, EQUIPMENT AND ROU ASSETS, NET

Property, equipment and ROU assets consisted of the following:

	March 31, 2023	June 30, 2022
	$	$
Right-of-Use Assets (leases)	**1,167,436**	1,167,436
Equipment	**364,716**	212,877
Leasehold Improvements	**40,409**	40,409
Property and equipment	**1,572,561**	1,420,722
Less: accumulated depreciation and amortization	**(819,320)**	(516,470)
Property, equipment and ROU assets, net	**753,241**	904,252

(Expressed in U.S. Dollars)

5. PROPERTY, EQUIPMENT AND ROU ASSETS, NET (cont'd)

Depreciation expense on property, equipment and leasehold improvements for the three and nine months ended March 31, 2023, was $10,586 and $26,697 (2022 - $7,908 and $18,371). Amortization expense related to the right-of-use assets for the three and nine months ended March 31, 2023, was $91,935 and $272,568 (2022 - $89,450 and $199,058) and was recorded in general and administrative expenses.

6. INTANGIBLE ASSETS

	March 31, 2023	June 30, 2022
	$	$
Intellectual property	**1,736,420**	1,736,420
Patents	**1,191,000**	1,191,000
Intangible assets	**2,927,420**	2,927,420
Less: accumulated depreciation	**(940,594)**	(818,505)
Intangible assets, net	**1,986,826**	2,108,915

Acquired intellectual property is recorded at cost and is amortized on a straight-line basis over 18 years.

Acquired patents consist of patents related to the development of cannabinoid analogs. This intangible asset is being amortized over an estimated useful life of 18 years.

At March 31, 2023, the definite-lived intangible assets had a weighted average estimated remaining useful life of approximately 12 years.

Amortization expense on intangible assets for the three and nine months ended March 31, 2023 was $40,103 and $122,089 (2022 - $45,430 and $113,296). The Company expects amortization expense to be incurred over the next five years as follows:

	$
2023 (remaining)	39,230
2024	156,920
2025	156,920
2026	156,920
2027	156,920
Thereafter	1,319,916
	1,986,826

(Expressed in U.S. Dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	March 31, 2023	June 30, 2022
	$	$
Trade payables	**737,501**	1,166,068
Accrued research and development expenses	**322,050**	839,638
Employee compensation, benefits and related accruals	**692,636**	139,120
Accrued general and administrative expenses	**77,737**	270,439
Accounts payable and accrued liabilities	**1,829,924**	2,415,265

8. SHARE CAPITAL AND RESERVES

On September 7, 2022, the Company effected a one-for-25 reverse stock split of its issued and outstanding common shares. Accordingly, all common share, stock option, per common share and warrant amounts for all periods presented in the condensed consolidated interim financial statements and notes thereto have been adjusted retrospectively to reflect this reverse stock split.

a) Authorized

As of March 31, 2023, 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 of March 31, 2023 and June 30, 2022.

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

b) Common Shares

During the period ended March 31, 2023, the Company completed the following:

September 2022 Private Placement Offering:

Transaction Description	Number	Issue Price	Total
Shares Issued	90,000	$ 8.680	$ 781,200
Pre-funded Warrants Issued	601,245	$ 8.6799	5,218,746
Gross Proceeds			$ 5,999,946
Allocated to Additional Paid-in Capital			(5,589,570)
			$ 410,376
Share Issuance Costs			$ (77,242)

(Expressed in U.S. Dollars)

8. SHARE CAPITAL AND RESERVES (cont'd)

b) Common Shares (cont'd)

On September 13, 2022, the Company closed a private placement of its common shares and issued an aggregate of 90,000 common shares and 601,245 pre-funded warrants, for gross proceeds of $5,999,946. The pre-funded warrants were determined to be common stock equivalents. Each common share and each pre-funded warrant were sold in the offering with an investment option to purchase a common share. Transaction costs were allocated proportionally between common shares and investment options with $77,242 allocated to common shares and the balance of $1,052,101 allocated to additional paid-in capital and recorded as a component of shareholders' equity in the consolidated balance sheet. As of March 31, 2023, there were no pre-funded warrants outstanding.

November 2022 Private Placement Offering:

Transaction Description	Number	Issue Price	Total
Shares Issued	150,000	$ 3.300	$ 495,000
Pre-funded Warrants Issued	1,668,185	$ 3.2999	5,504,844
Gross Proceeds			$ 5,999,844
Allocated to Additional Paid-in Capital			(5,736,472)
			$ 263,372
Share Issuance Costs			$ (38,713)

On November 21, 2022, the Company closed a private placement of its common shares and issued an aggregate of 150,000 common shares and 1,668,185 pre-funded warrants, for gross proceeds of $5,999,844. The pre-funded warrants were determined to be common stock equivalents. Each common share and each pre-funded warrant were sold in the offering with an investment option to purchase a common share. Transaction costs were allocated proportionally between common shares and investment options with $38,713 allocated to common shares and the balance of $843,210 allocated to additional paid-in capital and recorded as a component of shareholders' equity in the consolidated balance sheet. As of March 31, 2023, there were no pre-funded warrants outstanding.

c) Share Purchase Warrants

The following is a summary of changes in share purchase warrants from July 1, 2022 to March 31, 2023:

	Number	Weighted Average Share Price	Aggregate Intrinsic Value
Balance at July 1, 2022	244,767	$ 41.99	-
Cancelled	(179,231)	$ 18.50	-
Expired/Forfeited	(12,114)	$ 11.25	-
Balance at March 31, 2023	53,422	$ 127.75	-

d) Agents' Warrants

The following is a summary of changes in agents' warrants from July 1, 2022 to March 31, 2023:

	Number	Weighted Average Share Price	Aggregate Intrinsic Value
Balance at July 1, 2022	12,109	$ 92.91	-
Balance at March 31, 2023	12,109	$ 92.91	-

(Expressed in U.S. Dollars)

8. SHARE CAPITAL AND RESERVES (cont'd)

e) Preferred Investment Options

On September 13, 2022, the Company closed a private placement of its common shares and 1,382,490 preferred investment options were issued with an exercise price of $8.44 per share, were immediately exercisable upon issuance, and expire 7 years following the date of issuance. The fair value of preferred investment options was calculated using the Black-Scholes option pricing model and was determined to be $10.91 per option. Assumptions used included a weighted average risk-free interest rate of 3.12%, expected term of 7 years, weighted average volatility factor of 114.42% and a weighted average dividend yield of 0%. The allocated value of the investment options was recorded in additional paid-in capital. On November 21, 2022, these preferred investment options were surrendered to the Company for cancellation.

On November 21, 2022, the Company closed a private placement of its common shares and 3,272,733 preferred investment options were issued with an exercise price of $3.044 per share, were immediately exercisable upon issuance, and expire 7 years following the date of issuance. The fair value of preferred investment options was calculated using the Black-Scholes option pricing model and was determined to be $2.278 per option. Assumptions used included a weighted average risk-free interest rate of 2.92%, expected term of 7 years, weighted average volatility factor of 116.52% and a weighted average dividend yield of 0%. The allocated value of these investment options was recorded in additional paid-in capital.

	Number	Weighted Average Share Price	Aggregate Intrinsic Value
Balance at July 1, 2022	233,100	$ 18.50	-
Granted	4,655,223	$ 4.65	-
Cancelled	(1,615,590)	$ 9.89	-
Balance at March 31, 2023	3,272,733	$ 3.044	-

f) Agents' Investment Options

On September 13, 2022, the Company closed a private placement of its common shares and 44,931 preferred investment options were issued for services with an exercise price of $10.85 per share, were immediately exercisable upon issuance, and expire approximately 7 years following the date of issuance. The fair value of agents' investment options was calculated using the Black-Scholes option pricing model and was determined to be $10.06 per option. Assumptions used included a weighted average risk-free interest rate of 3.24%, expected term of 5 years, weighted average volatility factor of 116.88% and a weighted average dividend yield of 0%. The allocated value of these agents' investment options was recorded in additional paid-in capital.

On November 21, 2022, the Company closed a private placement of its common shares and 118,182 preferred investment options were issued for services with an exercise price of $4.125 per share, were immediately exercisable upon issuance, and expire approximately 7 years following the date of issuance. The fair value of agents' investment options was calculated using the Black-Scholes option pricing model and was determined to be $2.03 per option. Assumptions used included a weighted average risk-free interest rate of 3.18%, expected term of 5 years, weighted average volatility factor of 117.97% and a weighted average dividend yield of 0%. The allocated value of these agents' investment options was recorded in additional paid-in capital.

	Number	Weighted Average Share Price	Aggregate Intrinsic Value
Balance at July 1, 2022	15,152	$ 26.81	-
Granted	163,113	$ 5.98	-
Balance at March 31, 2023	178,265	$ 7.75	-

(Expressed in U.S. Dollars)

9. 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 regulatory requirements, 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 of March 31, 2023, there were 43,404 (June 30, 2022 – 18,163) options available for future allocation pursuant to SEC rules and 20% of the issued and outstanding shares according to the terms of the Plan. The option price under each option shall 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, up 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, 2022). Commencing in May 2021, stock options are granted with United States dollar exercise prices.

The following is a summary of changes in outstanding options from July 1, 2022 to March 31, 2023:

	Number	Weighted Average Exercise Price $
Balance at July 1, 2022	55,603	128.59
Granted	61,720	1.85
Expired/Forfeited	(6,961)	238.00
Balance at March 31, 2023	**110,362**	**48.20**
March 31, 2023:		
Vested and exercisable	38,839	123.77
Unvested	71,523	7.16

(Expressed in U.S. Dollars)

9. SHARE-BASED PAYMENTS (cont'd)

b) Fair Value of Options Issued During the Period

i) Weighted Average Fair Value at Grant Date of Options Granted:

The weighted average fair value at grant date of options granted during the nine months ended March 31, 2023, was $1.37 per option (year ended June 30, 2022 - $21.04). Assumptions used for options granted during the nine months ended March 31, 2023 included a weighted average risk-free interest rate of 3.74% (year ended June 30, 2022 – 1.17%), weighted average expected life of 3.3 years calculated using the Simplified Method for directors, officers and employees, weighted average volatility factor of 122.98% (year ended June 30, 2022 – 97.15%), weighted average dividend yield of 0% (year ended June 30, 2022 – 0%) and a 5% forfeiture rate (year ended June 30, 2022 – 5%).

ii) Expenses Arising from Share-based Payment Transactions:

Total expenses arising from share-based payment transactions recognized during the three months ended March 31, 2023, were $50,357 (2022 - $195,085). $28,442 was allocated to general and administrative expenses (2022 - $103,401) and the remaining $21,915 was allocated to research and development expenses (2022 - $91,684). Total expenses arising from share-based payment transactions recognized during the nine months ended March 31, 2023, were $187,318 (2022 - $521,006). $137,555 was allocated to general and administrative expenses (2022 - $307,885) and the remaining $100,120 was allocated to research and development expenses (2022 - $213,121). Unrecognized compensation cost at March 31, 2023 related to unvested options was $101,420 which will be recognized over a weighted-average vesting period of 3.9 years.

10. LEASE OBLIGATIONS

The Company is committed to minimum lease payments as follows:

Maturity Analysis	March 31, 2023 $
Less than one year	437,425
One to five years	63,951
More than five years	-
Total undiscounted lease liabilities[(1)]	501,376
Less: imputed interest	(5,008)
Present value of lease liabilities	496,368
Less: Current portion of lease liabilities	(423,574)
Non-current portion of lease liabilities	72,794

[(1)] Excludes estimated variable operating costs of $92,964 and $58,004 on an annual basis through to April 30, 2024 and August 31, 2024, respectively.

(Expressed in U.S. Dollars)

11. 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. The pre-funded warrants were determined to be common stock equivalents and have been included in the weighted average number of shares outstanding for calculation of the basic earnings per share number. As of March 31, 2023, the outstanding stock options of 110,362 and warrants of 3,516,529 are anti-dilutive (2022 – 56,382 and 257,698 respectively) and are excluded from the weighted average number of common shares.

12. SEGMENT INFORMATION

The following table presents information about the Company's reportable segments for the three and nine months ended March 31, 2023 and 2022:

	Three Months Ended March 31,					
	2023			2022		
	InMed	BayMedica	**Total**	InMed	BayMedica	**Total**
	$	$	**$**	$	$	**$**
Sales	-	1,033,925	**1,033,925**	-	309,585	**309,585**
Cost of sales	-	(841,414)	**(841,414)**	-	(127,308)	**(127,308)**
Operating expenses	(1,711,010)	(630,709)	**(2,341,719)**	(2,977,705)	(744,197)	**(3,721,902)**
Other income	104,093	47,171	**151,264**	36,745	27,215	**63,960**
Net loss	(1,606,917)	(391,027)	**(1,997,944)**	(2,940,960)	(534,705)	**(3,475,665)**
Unrestricted cash	9,441,977	162,080	**9,604,057**	5,386,206	512,107	**5,898,313**

	Nine Months Ended March 31,					
	2023			2022		
	InMed	BayMedica	**Total**	InMed	BayMedica	**Total**
	$	$	**$**	$	$	**$**
Sales	-	1,824,496	**1,824,496**	-	574,677	**574,677**
Cost of sales	-	(1,415,068)	**(1,415,068)**	-	(280,845)	**(280,845)**
Inventory write-down	-	(576,772)	**(576,772)**	-	-	**-**
Operating expenses	(5,613,299)	(2,081,882)	**(7,695,181)**	(9,443,083)	(1,595,123)	**(11,038,206)**
Other income (expense)	123,973	129,321	**253,294**	(34,358)	48,638	**14,280**
Net loss	(5,489,326)	(2,119,905)	**(7,609,231)**	(9,477,441)	(1,252,653)	**(10,730,094)**
Unrestricted cash	9,441,977	162,080	**9,604,057**	5,386,206	512,107	**5,898,313**

13. 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 nine months ended March 31, 2023, the following transactions were excluded from the statement of cash flows:

i) On September 13, 2022, the Company issued 44,931 preferred investment options to its placement agent. The fair value of these investment options was $451,897 and was included in share issuance costs related to the September 2022 private placement.

ii) On November 21, 2022, the Company issued 118,182 preferred investment options to its placement agent. The fair value of these investment options was $239,587 and was included in share issuance costs related to the November 2022 private placement.

During the nine months ended March 31, 2022, the following transactions were excluded from the statement of cash flows:

i) On July 2, 2021, the Company issued warrants to its placement agent. The fair value of these warrants was $739,920 and was included in share issuance costs related to the July 2021 private placement.

ii) On October 13, 2021, the Company issued 2,050,000 common shares to BayMedica's equity and convertible debt holders, pursuant to the acquisition of BayMedica. The fair value of these common shares was $3,013,500 and was included in the total consideration for the acquisition of BayMedica.

iii) On March 22 and 23, 2022, a total of 14,760 warrants were exercised on a cashless basis resulting in the issuance of 5,873 common shares.

14. COMMITMENTS AND CONTINGENCIES

Pursuant to the terms of agreements with various contract research organizations, as of March 31, 2023, the Company is committed for contract research services and materials at a cost of approximately $2,169,023, expected to occur in the twelve months following March 31, 2023.

Pursuant to the terms of agreements with various vendors, as of March 31, 2023, the Company is committed for contract materials and equipment at a cost of approximately $445,259, expected to occur in the twelve months following March 31, 2023.

14. 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 rights, title and interests 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, one such payment has been made to UBC.

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 one year terms, of $43,055 (June 30, 2022 - $44,676) 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.

Pursuant to a technology licensing agreement, the Company is committed to issue, subject to regulatory approval, up to 700 warrants to purchase 700 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.

BayMedica LLC ("BayMedica"), a wholly-owned indirect subsidiary of the Company, entered into a patent license agreement ("Agreement") with a third party (the "Licensor") in an agreement dated February 15, 2021. BayMedica is required to make future royalty payments to the Licensor based on net sales of licensed products to maintain an exclusive license. In December 2021, BayMedica amended the Agreement including the deferral of the 2021 payments to 2022. As of March 31, 2023, BayMedica has paid $300,000 for the minimum payments under the Agreement. On February 10, 2023, BayMedica received a letter from the Licensor alleging a breach of the Agreement and asserting a right to monies thereunder. On April 6, 2023, BayMedica sent a letter to the Licensor disputing the Licensor's interpretation of the Agreement and considering the counterparty's only remedy under the Agreement to be either (a) the conversion of an exclusive technology license into a non-exclusive one or (b) to terminate the Agreement. The interpretation of a contract under Ontario law requires consideration of the surrounding circumstances at the time the contract was negotiated, and BayMedica is of the view that the text of the Agreement and the surrounding circumstances show that the remedy discussed above reflects the intention of the parties. On May 3, 2023, BayMedica received a further letter from the Licensor demanding payment of $950,209 and stated that it will commence legal proceedings to recover same. To date, the Licensor has not initiated a lawsuit. If a lawsuit is brought alleging a breach of the Agreement, the proceeding will be subject to final, binding and non-appealable arbitration under the *Arbitration Act, 1991* (Ontario) and determined pursuant to Ontario law. BayMedica intends to vigorously defend its position. At this time, it is not possible to reasonably estimate a potential loss due to the terms of the Agreement, the nature of the legal theory advanced by the counterparty, and the requirement under Ontario law that a contract must be interpreted in light of the "surrounding circumstances" at the time the contract was formed. Management will be better positioned to determine whether it is possible to estimate any potential loss following documentary and oral discovery, if any.

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.

15. FINANCIAL RISK MANAGEMENT

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

The fair values of short-term investments, accounts receivable, and accounts payable and accrued liabilities approximate their carrying values because of the short-term nature of these instruments. Cash and cash equivalents are measured at fair value using Level 1 inputs.

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 exchange rates, primarily against the Canadian dollar.

As of March 31, 2023, 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$1,969,113 which is equivalent to US$1,454,977 at the March 31, 2023 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 increase (decrease) of 1% in the Canadian dollar in relation to the U.S. dollar results in a gain (loss), with a corresponding effect on cash flows, of $14,550 based on the March 31, 2023 net Canadian dollar assets (liabilities) position. During the nine months ended March 31, 2023, the Company recorded foreign exchange loss of $86,214 (2022 – $35,228) related to Canadian dollars.

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 March 31, 2023, holdings of cash and cash equivalents of $8,795,454 (June 30, 2022 - $5,087,615) are subject to floating interest rates. The balance of the Company's cash holdings of $808,603 (June 30, 2022 - $1,089,251) are non-interest bearing.

As of March 31, 2023, the Company held variable rate guaranteed investment certificates, with one-year terms, of $43,055 (June 30, 2022 - $44,676).

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.

15. FINANCIAL RISK MANAGEMENT (cont'd)

a) 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, short-term investments and loan receivable. Cash and cash equivalents and short-term investments are maintained with financial institutions of reputable credit and may be redeemed upon demand. In the normal course of business, the Company does not provide third party loans.

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.

b) 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 March 31, 2023, the Company has cash and cash equivalents and short-term investments of $9,647,112 (June 30, 2022 - $6,221,670), current liabilities of $2,269,669 (June 30, 2022 - $3,181,316) and a working capital surplus of $9,572,876 (June 30, 2022 - $6,416,460).

16. RELATED PARTY TRANSACTIONS

On February 11, 2022, the Board of Directors appointed Janet Grove as a director of the Company. Ms. Grove is a Partner of Norton Rose Fulbright Canada LLP ("NRF"). From February 11, 2022 to March 31, 2023, NRF rendered legal services in the amount of $580,761 to the Company. These transactions were in the normal course of operations and were measured at the exchange amount which represented the amount of consideration established and agreed to by NRF. No legal services rendered by NRF were rendered by Ms. Grove directly.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

- Our ability to pursue the discovery through to commercialization of Product Candidates and Products that will treat diseases with high unmet medical needs;
- The continued optimization of cannabinoid manufacturing approaches;
- Our success in initiating discussions with potential partners for licensing various aspects of our Product Candidates;
- Our ability to commercialize and, where required, register Product Candidates and Products in the United States and other jurisdictions;
- Our ability to successfully access existing manufacturing capacity via leases with third-parties or to transfer our manufacturing processes to a contract manufacturing organizations;
- Our belief that our manufacturing approaches that we are developing are robust and effective and will result in high yields of cannabinoids and will be a significant improvement upon existing manufacturing platforms;
- 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 and timing of future INM-755 studies including that we will complete patient enrollment into our Phase II study in EB in 2022;
- The ability of the IntegraSyn™ 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™ or other cost effective approaches 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 API manufacturers;

- The success of the key next steps in our manufacturing approaches, including continuing efforts to diversify the number of cannabinoids produced, scaling-up the processes to larger vessels and identifying external vendors to assist in the commercial scale-up of the process;
- 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 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 ability to explore our manufacturing technologies as processes 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 our manufacturing technologies;
- Our IntegraSyn™ or BayMedica 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 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;
- Our ability to complete formulation development and scale-up, conduct additional preclinical studies, and initiate and complete IND/CTA-enabling toxicology studies in calendar year 2023 for INM-088;

- INM-088 being a once-a-day or twice-a-day eye drop medication that will compete with treatment modalities in the medicines category, and with the potential of INM-088 assisting 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 Products and Product Candidates;
- Developing patentable New Chemical Entities ("NCE") which, if issued, will confer market exclusivity to us for the potential development into pharmaceutical Product Candidates, license, partner or sell to interested external parties;
- Our ability to initiate discussions and conclude strategic partnerships to assist with development of certain programs;
- 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; and
- The competitive environment in which we and our business units operate.

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

InMed Pharmaceuticals Inc.

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

Three and Nine Months Ended March 31, 2023

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 our Annual Report on Form 10-K, dated September 23, 2022 and other filings with the Security and Exchange Commission. These risks and uncertainties could cause actual results to differ materially from those projected or implied by our forward-looking statements contained in this report. These forward-looking statements are made as of the date of this report, and we do not intend, and do not assume any obligation, to update these forward-looking statements, except as required by law.

The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated interim financial statements for the three and nine months ended March 31, 2023, and the related notes thereto, which have been prepared in accordance with U.S. GAAP. Additionally, the following discussion and analysis should be read in conjunction with our audited consolidated financial statements included in our Form 10-K filing. Throughout this discussion, unless the context specifies or implies otherwise the terms "InMed," "Company," "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, including rare cannabinoids and novel cannabinoid analogs, targeting the treatment of diseases with high unmet medical needs ("Product Candidates"). Together with our subsidiary BayMedica, LLC, we also have significant know-how in developing proprietary manufacturing approaches to produce cannabinoids for various market sectors ("Products"). Our know-how includes traditional approaches such as chemical synthesis and biosynthesis, as well as a proprietary, integrated manufacturing approach called IntegraSyn™. We are dedicated to delivering new therapeutic alternatives to patients and consumers who may benefit from cannabinoid-based products. 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 scientific approaches to establish non-plant-derived (synthetically manufactured), individual cannabinoid compounds as Product Candidates for InMed's pharmaceutical product development pipeline or specific rare cannabinoid Products sold to end-product manufacturers by BayMedica, LLC. 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 ingredients 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 or Product Candidates; our current pharmaceutical drug Product Candidates 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 or Product Candidates. The active pharmaceutical ingredient ("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 novel cannabinoid analogs to treat diseases including but not limited to neurodegenerative diseases such as Alzheimer's, Parkinson's, and Huntington's.

We believe we are positioned to develop multiple pharmaceutical 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 intoxicating effects of THC). Currently, we intend to deliver our rare cannabinoid pharmaceutical Product Candidates 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. The cannabinoid Products sold through our B2B raw material supply business are integrated into various product formats by the companies who then further commercializes such products. We access rare cannabinoids via all non-extraction approaches, including chemical synthesis, biosynthesis and our proprietary integrated IntegraSyn^{TM} 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. On October 13, 2021, we acquired BayMedica, Inc., now named BayMedica, LLC ("BayMedica"). Upon closing of the transaction, BayMedica became a wholly-owned subsidiary of InMed. 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 that is sufficient to achieve profitability will depend heavily on the revenues generated from our products in the Health and Wellness sector, on the successful development and eventual commercialization of one or more of our Product Candidates and/or the success of our manufacturing technologies. Our net loss was $7.6 million and $10.7 million for the nine months ended March 31, 2023 and 2022, respectively. As of March 31, 2023, we had an accumulated deficit of $101.1 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 March 31, 2023 by approximately $72.2 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 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;
- continue to advance research in the INM-900 series program, using cannabinoid analogs in treating neurodegenerative diseases such as Alzheimer's, Huntington's and Parkinson's;
- investigate our Product Candidates for additional uses beyond their initial target indications;
- pursue the discovery of drug targets based on proprietary cannabinoid analogs 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;
- continue to support our commercial operations and revenue-generating Products at BayMedica;
- 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;
- continue to further advance the research and development of various manufacturing technologies;
- build internal infrastructure, including personnel, to meet our milestones; and
- add operational, financial and management information systems and personnel, including personnel to support product development and potential future commercialization efforts and our operations as a public company.

As a result of these activities as well as our working capital requirements, we will need substantial additional funding to support our continuing operations and pursue our growth strategy. We expect to finance our operations through product sales, 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 Products and 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 Products and Product Candidates ourselves.

Because of the numerous risks and uncertainties associated with drug development and commercial growth, we are unable to predict the timing or amount of increased expenses and working capital requirements or the timing of when or if we will be able to achieve or maintain profitability. 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

During the three months ended March 31, 2023, a licensor has alleged a breach of an agreement. This issue is discussed in Note 14 of the Financial Statements.

Components of Results of Operations

Revenue

Our revenue consists of manufacturing and distribution sales of bulk rare cannabinoid Products, which are generally recognized at a point in time. The Company recognizes revenue when control over the products have been transferred to the customer and the Company has a present right to payment.

Cost of Sales

Cost of sales consist primarily of the purchase price of goods and cost of services rendered, freight costs, warehousing costs, and purchasing costs. Cost of sales also includes production and labor costs for our manufacturing business.

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 Products and 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 Products and 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 or to develop and commercialize additional Products. 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 development, 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, to further advance the development of our manufacturing technologies, and to develop and commercialize additional Products, if any;
- our ability to maintain our current research and development programs and to establish new ones;
- our ability to establish sales, 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 materials for use in production of our Products and 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, and of new Products;
- 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 Product Candidates 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 Products or Product Candidates would significantly change the costs and timing associated with the development of those Products or Product Candidates.

Research and development activities account for a significant portion of our operating expenses. Research and development expenses decreased in fiscal 2023 as compared to fiscal 2022, largely due to high start-up costs associated with the multicentre Phase II clinical trial in our INM-755 program during fiscal 2022. However, 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 drug candidates and our manufacturing technologies into and through clinical development, expanding our research and development efforts, including hiring additional personnel to support our research and development efforts, ultimately seeking regulatory approvals for our drug candidates that successfully complete clinical trials, and further developing selected R&D and commercial BayMedica activities. 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.

Amortization and Depreciation

Intangible assets are comprised of intellectual property that we acquired in 2014 and 2015 and trade secrets, product formulation knowledge, patents that we acquired in October 2021. The acquired intellectual property and patents are amortized on a straight-line basis based on their estimated useful lives. Equipment and leasehold improvements are depreciated using the straight-line method based on their estimated useful lives.

Impairment of Long-Lived Assets

We assess the recoverability of our 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, we then determine 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.

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.

Other Income

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

Results of Operations

As of the closing of the BayMedica acquisition, the Company aligned into two operating and reportable segments, InMed Pharmaceuticals (the "InMed" segment) and BayMedica (the "BayMedica" segment).

Comparison of the three months ended March 31, 2023 and 2022 for InMed Segment

	Three Months Ended March 31,			
	2023	2022	Change	% Change
	(in thousands)			
Operating expenses:				
Research and development and patents	713	1,386	(673)	-49%
General and administrative	972	1,566	(594)	-38%
Amortization and depreciation	26	26	-	0%
Total operating expenses	1,711	2,978	(1,267)	-43%
Interest and other income	107	4	103	2575%
Foreign exchange (loss) gain	(3)	33	(36)	(109)%
Net loss	$ (1,607)	$ (2,941)	$ 1,334	-45%

Research and Development and Patents Expenses

Research and development and patents expenses decreased by $0.7 million in our InMed segment, or 49%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The decrease in research and development and patents expenses was due to a combination of lower personnel expenses, legal fees and decreased expenses related to the INM-755 program as a result of high start-up costs associated with the multicentre Phase II clinical trial during fiscal 2022.

General and administrative expenses

General and administrative expenses decreased by $0.6 million in our InMed segment, or 38%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The decrease results primarily from a combination of changes including lower investor relation expenses, stock-based compensation expenses, personnel expenses and legal fees.

Foreign exchange loss

Foreign exchange loss increased by less than $0.1 million in our InMed segment, or 109%, for the three months ended March 31, 2023, compared to the three months ended March 31, 2022, as a consequence of holding non-US denominated assets and liabilities combined with fluctuations in foreign exchange rates.

Comparison of the three months ended March 31, 2023 and 2022 for BayMedica Segment

	Three Months Ended March 31,			
	2023	2022	Change	% Change
	(in thousands)			
Sales	$ 1,034	$ 310	$ 724	234%
Cost of sales	841	127	714	562%
Gross profit	193	183	10	5%
Operating expenses:				
Research and development and patents	165	368	(203)	-55%
General and administrative	441	349	92	26%
Amortization and depreciation	25	28	(3)	-11%
Total operating expenses	631	745	(114)	-15%
Interest and other income	49	27	22	81%
Tax expense	(2)	-	(2)	nm
Net loss	$ (391)	$ (535)	$ 144	-27%

Sales

Sales increased by $0.7 million in our BayMedica segment, or 234%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. Additionally, BayMedica has now realized two consecutive quarters of material revenue growth, with increases of 46% and 120% in Q2 and Q3 2023, respectfully. Although there is no assurances this growth will continue in future quarters, this recent trend is encouraging. The increase in distribution sales results from expanded marketing efforts and increased demand in certain cannabinoid Products. BayMedica will continue to evaluate opportunities for potential structured supply arrangements and collaborations for the commercial business. Sales and marketing efforts will remain focused on Products that contribute highest margins, where BayMedica continues to hold a strong competitive position.

Cost of Sales

Cost of goods sold increased by $0.7 million in our BayMedica segment, or 562%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The increase in cost of goods sold is a result from the increase in sales mentioned above.

Gross Profit

Gross profit margin was adversely affected by certain products in the portfolio, which, due to downward pricing pressure, resulted in inventory sell-through at a significantly reduced price point and reduced margin. As sales and marketing efforts continue to focus on products that contribute high margins, we envisage our overall gross profit and gross profit margins improving over the coming quarters.

Research and Development and Patents Expenses

Research and development and patents expenses decreased by $0.2 million in our BayMedica segment, or 55%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The decrease in research and development and patents expenses was primarily due to lower personnel expenses.

General and administrative expenses

General and administrative expenses increased by less than $0.1 million in our BayMedica segment, or 26%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The increase results primarily from a combination of changes including higher personnel expenses, accounting fees, legal fees and sales and marketing expenses.

Comparison of the nine months ended March 31, 2023 and 2022 for InMed Segment

	Nine Months Ended March 31,			
	2023	2022	Change	% Change
	(in thousands)			
Operating expenses:				
Research and development and patents	2,379	4,857	(2,478)	-51%
General and administrative	3,156	4,505	(1,349)	-30%
Amortization and depreciation	78	81	(3)	-4%
Total operating expenses	5,613	9,443	(3,830)	-41%
Interest and other income	203	14	189	1,350%
Foreign exchange loss	(79)	(48)	(31)	65%
Net loss	$ (5,489)	$ (9,477)	$ 3,988	-42%

Research and Development and Patents Expenses

Research and development and patents expenses decreased by $2.5 million in our InMed segment, or 51%, for the nine months ended March 31, 2023 compared to the nine months ended March 31, 2022. The decrease in research and development and patents expenses was due to a combination of lower legal fees, personnel expenses and decreased expenses related to the INM-755 program as a result of high start-up costs associated with the multicentre Phase II clinical trial during fiscal 2022.

General and administrative expenses

General and administrative expenses decreased by $1.3 million in our InMed segment, or 30%, for the nine months ended March 31, 2023 compared to the nine months ended March 31, 2022. The decrease results primarily from a combination of changes including lower personnel expenses, insurance fees, investor relation expenses, accounting fees, legal fees and stock-based compensation expenses, partially offset by higher consulting fees.

Foreign exchange loss

Foreign exchange loss increased by less than $0.1 million in our InMed segment, or 65%, for the nine months ended March 31, 2023, compared to the nine months ended March 31, 2022, as a consequence of holding non-US denominated assets and liabilities combined with fluctuations in foreign exchange rates.

Comparison of the nine months ended March 31, 2023 and 2022 for BayMedica Segment

	Nine Months Ended March 31,			
	2023	2022	Change	% Change
	(in thousands)			
Sales	$ 1,824	$ 575	$ 1,249	217%
Cost of sales	1,415	281	1,134	404%
Inventory write-down	577	-	577	nm
Gross (loss) profit	(168)	294	(462)	-157%
Operating expenses:				
Research and development and patents	729	925	(196)	-21%
General and administrative	1,283	619	664	107%
Amortization and depreciation	70	51	19	37%
Total operating expenses	2,082	1,595	487	31%
Interest and other income	141	49	92	188%
Tax expense	(11)	-	(11)	nm
Net loss	$ (2,120)	$ (1,252)	$ (868)	69%

Sales

Sales increased by $1.2 million in our BayMedica segment, or 217%, for the nine months ended March 31, 2023 compared to the nine months ended March 31, 2022. Additionally, BayMedica has now realized two consecutive quarters of material revenue growth, with increases of 46% and 120% in Q2 and Q3 2023, respectfully. Although there is no assurances this growth will continue in future quarters, this recent trend is encouraging. The increase in distribution sales results from expanded marketing efforts and increased demand in certain cannabinoid Products. In addition, we acquired BayMedica on October 13, 2021 so the nine months ended March 31, 2022 results were partially pro-rated. BayMedica will continue to evaluate opportunities for potential structured supply arrangements and collaborations for the commercial business. Sales and marketing efforts will remain focused on Products that contribute highest margins, where BayMedica continues to hold a strong competitive position.

Cost of Sales

Cost of goods sold increased by $1.1 million in our BayMedica segment, or 404%, for the nine months ended March 31, 2023 compared to the nine months ended March 31, 2022. The increase in cost of goods sold is a result from the increase in sales mentioned above.

Inventory Write-Down

The write-down of inventories to net realizable value was $0.6 million in our BayMedica segment for the nine months ended March 31, 2023, with no comparable expenses in 2022. Contributing factors to the decrease in net realizable value included lower demand and downward pricing pressure in the first quarter of fiscal 2023. BayMedica continues to evaluate new manufacturing approaches for certain Products to increase competitive position in the marketplace.

Gross Profit

Gross profit margin was adversely affected by certain products in the portfolio, which, due to downward pricing pressure, resulted in inventory sell-through at a significantly reduced price point and reduced margin. As sales and marketing efforts continue to focus on products that contribute high margins, we envisage our overall gross profit and gross profit margins improving over the coming quarters.

Research and Development and Patents Expenses

Research and development and patents expenses decreased by $0.2 million in our BayMedica segment, or 21%, for the nine months ended March 31, 2023 compared to the nine months ended March 31, 2022. The decrease in research and development and patents expenses was primarily due to lower personnel expenses.

General and administrative expenses

General and administrative expenses increased by $0.7 million in our BayMedica segment, or 107%, for the nine months ended March 31, 2023 compared to the nine months ended March 31, 2022. The increase in general and administrative expenses was due to the inclusion of BayMedica operating results following the acquisition date on October 13, 2021. There were no comparable expenses in the first quarter of fiscal 2022.

Liquidity and Capital Resources

Since our inception, we have only generated limited revenue from Product sales, no sales from any other sources and have incurred significant operating losses and negative cash flows from our operations. We have only commenced commercial sales with the acquisition of BayMedica and 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 March 31, 2023, we had cash, cash equivalents and short-term investments of $9.6 million.

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

(in thousands)	Nine Months Ended March 31, 2023	Nine Months Ended March 31, 2022
Net cash used in operating activities	$ (6,625)	$ (11,536)
Net cash (used in) provided by investing activities	(628)	52
Net cash provided by financing activities	10,680	10,019
Net increase (decrease) in cash and cash equivalents	$ 3,427	$ (1,465)

Operating Activities

During the nine months ended March 31, 2023, we used cash in operating activities of $6.6 million, primarily resulting from our net loss of $7.6 million combined with $0.3 million used in changes in our non-cash working capital, partially offset by non-cash share-based compensation expenses and inventory write-down.

During the nine months ended March 31, 2022, we used cash in operating activities of $11.5 million, primarily resulting from our net loss of $10.7 million combined with $1.7 million used in changes in our non-cash working capital, partially offset by non-cash share-based compensation expenses.

Investing Activities

During the nine months ended March 31, 2023, cash used in investing activities of $0.6 million resulted from escrow payments made to BayMedica's historical equity and convertible debt holders and payment of deposit on equipment.

During the nine months ended March 31, 2022, cash provided by investing activities of less than $0.1 million resulted from cash acquired from the acquisition of BayMedica, partially offset by purchases of property and equipment.

Financing Activities

During the nine months ended March 31, 2023, cash provided by financing activities of $10.7 million consisted of $12.0 million of gross proceeds from private placements of our common shares, offset by total transaction costs of $1.3 million.

During the nine months ended March 31, 2022, cash provided by financing activities of $10.0 million consisted of $12.0 million of gross proceeds from a private placement of our common shares, offset by transaction costs of $1.3 million and settlement of debt of $0.4 million reflecting the value of loans to BayMedica as at the date of acquisition and $0.2 million for the repayment of debt assumed in the BayMedica acquisition.

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 and associated with any required investment into BayMedica's R&D efforts targeting cannabinoid analogs. As a result, we expect to incur substantial operating losses and negative operating cash flows for the foreseeable future.

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

Through March 31, 2023, we have funded our operations primarily with proceeds from the sale of common stock. We have incurred recurring losses and negative cash flows from operations since its inception, including net losses of $7.6 million and $10.7 million for the nine months ended March 31, 2023 and 2022, respectively. In addition, we have an accumulated deficit of $101.1 million as of March 31, 2023. 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, 2023 by approximately $72.2 million and we expect to continue to generate operating losses for the foreseeable future.

As of the issuance date of the condensed consolidated interim financial statements, we expect our cash and cash equivalents of $9.6 million as of March 31, 2023 will be sufficient to fund our operating expenses and capital expenditure requirements into the first quarter of calendar 2024, and possibly into the second quarter of calendar 2024, depending on the level and timing of realizing BayMedica revenues from the sale of Products in the Health & Wellness sector as well as the level and timing of the Company operating expenses. Our future viability is dependent on our ability to raise additional capital to finance our 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 condensed consolidated interim 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. 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 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 for INM-755;
- 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 manufacturing technologies;
- the number of and development requirements for other Products and 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 materials and manufacture of our Products and 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, including sales arrangements, and the financial terms of such arrangements;
- the sales, costs and timing of future commercialization activities, including product manufacturing, sales, marketing and distribution, for any of our Products and for Product Candidates for which we may 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;
- the costs to obtain, maintain, expand and protect our intellectual property portfolio; and
- the level and timing of realizing revenues from the BayMedica commercial operations.

A change in the outcome of any of these, or other variables with respect to the development of any of our Products and Product Candidates, could significantly change the costs and timing associated with their development. 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 revenues from either our Products or Product Candidates, 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, Products 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 Products or Product Candidates that we would otherwise prefer to develop and market ourselves.

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

Detailed information about our critical accounting policies and estimates is set forth in Part II, Item 7 of our Annual Report on Form 10-K for the year ended June 30, 2022. There have been no significant changes to these policies during the nine months ended March 31, 2023.

Going Concern

Through March 31, 2023, 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 $7.6 million and $10.7 million for the nine months ended March 31, 2023 and 2022, respectively. In addition, we have an accumulated deficit of $101.1 million as of March 31, 2023. 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, 2022 by approximately $72.2 million and we expect to continue to generate operating losses for the foreseeable future.

As of the issuance date of the condensed consolidated interim financial statements, we expect our cash and cash equivalents of $9.6 million as of March 31, 2023 will be sufficient to fund our operating expenses and capital expenditure requirements into the first quarter of calendar 2024, and possibly into the second quarter of calendar 2024 , depending on the level and timing of realizing revenues from the BayMedica commercial operations as well as the level and timing of the Company operating expense. Our future viability is dependent on our ability to raise additional capital to finance our 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 condensed consolidated interim 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC and to ensure that information required to be disclosed is accumulated and communicated to management, including our principal executive and financial officers, to allow timely decisions regarding disclosure. As of March 31, 2023, the Chief Executive Officer and the Interim Chief Financial Officer, with assistance from other members of management, have reviewed the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934). Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based upon the evaluation, they have concluded that, as of March 31, 2023, our disclosure controls and procedures were not effective at a reasonable assurance level due to a material weakness that existed in our internal controls over financial reporting, primarily the result of inadequate resources required to respond to financial reporting matters other than in the normal course of business, as disclosed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2022.

It should be noted that any system of controls is based in part upon certain assumptions designed to obtain reasonable (and not absolute) assurance as to its effectiveness, and there can be no assurance that any design will succeed in achieving its stated goals.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our fiscal quarter ended March 31, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, except for the items discussed in remediation below.

Remediation

We began implementing a remediation plan to address the previously reported material weakness in internal control over financial reporting, described in Part II, Item 9A, “Controls and Procedures” in our Annual Report on Form 10-K for the fiscal year ended June 30, 2022. Remediation measures include adding additional resources to our finance function, retaining the services of outside consultants and establishing additional review procedures over the accounting for complex and non-routine transactions. The material weakness will not be considered remediated, until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We expect that the remediation of this material weakness will be completed prior to the end of fiscal year 2023. Notwithstanding the material weakness, we believe the financial statements in this report fairly present, in all material respects, our financial position, results of operations, and cash flows for the periods presented in conformity with U.S. GAAP.

PART II

ITEM 1. LEGAL PROCEEDINGS.

We are not presently involved in any active legal proceedings that we believe to be material to the Company. However, from time to time, we may be subject to various pending or threatened legal actions and proceedings, including those that arise in the ordinary course of our business, including the license matter discussed in Note 14 of the Financial Statements.

ITEM 1A. RISK FACTORS.

As a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this item. For a discussion of our potential risks and uncertainties, please review the risks and uncertainties described in "Risk Factors" in our Form 10-K dated September 23, 2022.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURE.

None

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

Exhibits

The following exhibits are filed as part of this report:

Exhibit Number	Description
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

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

INMED PHARMACEUTICALS INC.
(Registrant)

Dated: May 15, 2023

By: /s/ Jonathan Tegge
Interim Chief Financial Officer

Exhibit 31.1

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

I, Eric A. Adams, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 15, 2023

/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, Jonathan Tegge, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 15, 2023

/s/ Jonathan Tegge
Name: Jonathan Tegge
Title: Interim Chief Financial Officer

Exhibit 32.1

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

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

1. The Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 (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: May 15, 2023

/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, Jonathan Tegge, the Chief Financial Officer of InMed Pharmaceuticals Inc. (the "Company"), hereby certify that, to my knowledge:

1. The Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 (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: May 15, 2023

/s/ Jonathan Tegge
Name: Jonathan Tegge
Title: Interim Chief Financial Officer