ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated Financial Statements of

InMed Pharmaceuticals Inc.

For the Year Ended June 30, 2023 and 2022

InMed Pharmaceuticals Inc.
(Expressed in U.S. Dollars)
June 30, 2023

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Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of
InMed Pharmaceuticals Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of InMed Pharmaceuticals Inc. (the "Company") as of June 30, 2023, the related consolidated statements of operations, changes in shareholders' equity and cash flows for the year ended June 30, 2023 and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2023, and the results of its operations and its cash flows for the year ended June 30, 2023, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 1, the Company has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Marcum LLP

Marcum LLP

We have served as the Company's auditor since 2023
New York, NY
September 29, 2023

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
InMed Pharmaceuticals Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of InMed Pharmaceuticals Inc. (the Company) as of June 30, 2022, the related consolidated statement of operations, shareholders' equity, and cash flows for the year ended June 30, 2022, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2022, and the results of its operations and its cash flows for the year ended June 30, 2022, in conformity with U.S. generally accepted accounting principles.

Going Concern

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

Basis for Opinion

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ KPMG LLP

Chartered Professional Accountants

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

Vancouver, Canada
September 23, 2022

InMed Pharmaceuticals Inc.

CONSOLIDATED BALANCE SHEETS
Expressed in U.S. Dollars

	Note	**June 30, 2023**	June 30, 2022
ASSETS		**$**	$
Current			
Cash and cash equivalents		**8,912,517**	6,176,866
Short-term investments		**44,422**	44,804
Accounts receivable, net		**260,399**	88,027
Inventories	3	**1,616,356**	2,490,854
Prepaids and other current assets		**498,033**	797,225
Total current assets		**11,331,727**	9,597,776
Non-Current			
Property, equipment and ROU assets, net	4	**723,426**	904,252
Intangible assets, net	6	**1,946,279**	2,108,915
Other assets		**104,908**	176,637
Total Assets		**14,106,340**	12,787,580
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	8	**1,608,735**	2,415,265
Current portion of lease obligations	11	**375,713**	404,276
Deferred rent		**16,171**	-
Acquisition consideration payable		**-**	500,000
Total current liabilities		**2,000,619**	3,319,541
Non-current			
Lease obligations, net of current portion	11	**15,994**	389,498
Total Liabilities		**2,016,613**	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	9	**77,620,252**	70,718,461
Additional paid-in capital	9, 10	**35,741,115**	31,684,098
Accumulated deficit		**(101,400,209)**	(93,452,587)
Accumulated other comprehensive income		**128,569**	128,569
Total Shareholders' Equity		**12,089,727**	9,078,541
Total Liabilities and Shareholders' Equity		**14,106,340**	12,787,580
Related Party Transactions (Note 15)			
Subsequent Events (Note 16)			

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

InMed Pharmaceuticals Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
Expressed in U.S. Dollars

	Note	For the Years Ended June 30 2023	2022
		$	$
Sales		**4,135,561**	1,089,435
Cost of sales		**2,423,588**	545,889
Inventory write-down	3	**308,937**	-
Gross profit		**1,403,036**	543,546
Operating Expenses			
Research and development and patents		**3,732,056**	7,282,615
General and administrative		**5,847,518**	6,867,030
Amortization and depreciation	4, 6	**202,249**	185,657
Impairment of intangible assets and goodwill	5	**-**	3,472,593
Total operating expenses		**9,781,823**	17,807,895
Other Income (Expense)			
Interest and other income		**492,440**	96,090
Warrant modification expense		**-**	(1,314,307)
Foreign exchange loss		**(48,175)**	(117,551)
Loss before income tax expense		**(7,934,522)**	(18,600,117)
Income tax expense		**(13,100)**	-
Net loss for the year		**(7,947,622)**	(18,600,117)
Net loss per share for the year			
Basic and diluted		**(3.25)**	(33.17)
Weighted average outstanding common shares			
Basic and diluted		**2,448,458**	560,829

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

InMed Pharmaceuticals Inc.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the years ended June 30, 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
Private placement	9	240,000	673,748	11,326,042	-	-	11,999,790
Share issuance costs	9	-	(115,955)	(1,895,311)	-	-	(2,011,266)

Agents' investment options		-	-	691,483	-	-	691,483
Exercise of pre-funded warrants	9	2,437,524	6,343,998	(6,343,352)	-	-	646
Loss for the period		-	-	-	(7,947,622)	-	(7,947,622)
Share-based compensation	10	-	-	278,155	-	-	278,155
Balance June 30, 2023		**3,328,191**	**77,620,252**	**35,741,115**	**(101,400,209)**	**128,569**	**12,089,727**

	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
Private placement	9	35,600	1,459,051	10,540,635	-	-	11,999,686
ATM offering, net of issuance costs	9	10,759	146,533	-	-	-	146,533
Registered direct and private placement		65,002	754,072	4,245,508	-	-	4,999,580
Share issuance costs	9	-	(375,220)	(2,506,795)	-	-	(2,882,015)
Agents' warrants		-	-	739,920	-	-	739,920
Agents' investment options		-	-	192,492	-	-	192,492
Exercise of pre-funded warrants	9	125,853	4,283,969	(4,283,654)	-	-	315
Exercise of warrants	9	6,293	769,260	(769,260)	-	-	-
Acquisition of BayMedica	7	82,000	3,013,500	-	-	-	3,013,500
Shares issued for consulting services		3,132	79,879	-	-	-	79,879
Warrant modification expense	9	-	-	1,314,307	-	-	1,314,307
Loss for the period		-	-	-	(18,600,117)	-	(18,600,117)
Share-based compensation	10	-	-	697,894	-	-	697,894
Balance June 30, 2022		**650,667**	**70,718,461**	**31,684,098**	**(93,452,587)**	**128,569**	**9,078,541**

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

InMed Pharmaceuticals Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30, 2023 and 2022

Expressed in U.S. Dollars

	Note	**2023**	2022
		$	$
Cash provided by (used in):			

	Note		
Operating Activities			
Net loss		**(7,947,622)**	(18,600,117)
Items not requiring cash:			
Amortization and depreciation	4, 6	**202,249**	185,657
Share-based compensation	10	**278,155**	697,894
Shares issued for services		**-**	79,879
Amortization of right-of-use assets		**393,748**	326,133
Loss on disposal of assets		**-**	11,355
Interest income received on short-term investments		**(803)**	(115)
Unrealized foreign exchange loss		**1,183**	1,770
Impairment of intangible assets and goodwill		**-**	3,472,593
Inventory write-down	3	**308,937**	-
Bad debts		**46,775**	-
Warrant modification expense		**-**	1,314,307
Changes in operating assets and liabilities:			
Inventories		**565,561**	(2,003,732)
Prepaids and other currents assets		**299,192**	190,661
Other non-current assets		**5,507**	(61,432)
Accounts receivable		**(219,147)**	(40,008)
Accounts payable and accrued liabilities		**(806,530)**	(811,599)
Deferred rent		**16,171**	(5,142)
Lease obligations		**(426,575)**	(341,862)
Total cash used in operating activities		**(7,283,199)**	(15,583,758)
Investing Activities			
Cash acquired from acquisition of BayMedica		**-**	91,566
Payment of acquisition consideration payable		**(500,000)**	(300,457)
Payment of deposit on equipment		**(1,790)**	-
Purchase of property and equipment		**(160,014)**	(39,108)
Sale of short-term investments		**(42,268)**	-
Purchase of short-term investments		**42,268**	-
Loan receivable		**-**	(425,000)
Total cash (used in) provided by investing activities		**(661,804)**	(672,999)
Financing Activities			
Shares issued for cash	9	**12,000,436**	17,146,114
Share issuance costs	9	**(1,319,782)**	(1,784,791)
Repayment of debt		**-**	(290,826)
Total cash provided by financing activities		**10,680,654**	15,070,497
Increase (decrease) in cash during the period		**2,735,651**	(1,186,260)
Cash and cash equivalents beginning of the period		**6,176,866**	7,363,126
Cash and cash equivalents end of the period		**8,912,517**	6,176,866
SUPPLEMENTARY CASH FLOW INFORMATION:			
Cash Paid During the Year for:			
Income taxes		**$ -**	$ -
Interest		**$ -**	$ -
SUPPLEMENTARY DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Preferred investment options to its placement agent		**$ 691,484**	$ 192,491
Warrants to its placement agent		**$ -**	$ 739,920
Shares issued for acquisition		**$ -**	$ 3,013,500

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.

Going Concern

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

Through June 30, 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 $7.9 million and $18.6 million for the years ended June 30, 2023 and 2022, respectively. In addition, the Company had an accumulated deficit of approximately $101.4 million at June 30, 2023. The Company expects to continue to generate operating losses for the foreseeable future.

As of the issuance date of these consolidated annual financial statements, the Company expects its cash, cash equivalents and short-term investments of $9.0 million as of June 30, 2023 will be sufficient to fund its operating expenses and capital expenditure requirements into the first 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. 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 consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its commitments, realize its assets and discharge its liabilities in the normal course. These consolidated financial statements do not reflect adjustments to the carrying values of assets and liabilities that would be necessary if the Company was unable to continue as a going concern and such adjustments could be material.

COVID-19 Impacts

The full extent to which the COVID-19 pandemic may directly or indirectly impact the Company's business, results of operations and financial condition, including expenses, research and development costs and employee-related amounts, will depend on future developments that are evolving and highly uncertain, such as the duration and severity of outbreaks, including potential future waves or cycles, and the effectiveness of actions taken to contain and treat COVID-19. The Company considered the potential impact of COVID-19 when making certain estimates and judgments relating to the preparation of these consolidated financial statements. While there was no material impact to the Company's consolidated financial statements as of and for the and for the year ended June 30, 2023, the Company's future assessment of the magnitude and duration of COVID-19, as well as other factors, could result in a material impact to the Company's consolidated financial statements in future reporting periods.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Reclassifications

Certain prior year amounts in the consolidated financial statements and the notes thereto have been reclassified where necessary to conform to the current year's presentation. These reclassifications did not affect the prior period's total assets, total liabilities, stockholders' deficit, net loss or net cash used in operating activities.

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, income tax provisions, write-down of inventories to net realizable value, and warrant valuations.

Actual results could differ from those estimates.

Basis of Consolidation

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

Foreign Currency

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

Business Combinations

Business combinations are accounted for using the acquisition method. The fair value of total purchase consideration is allocated to the fair values of identifiable tangible and intangible assets acquired and liabilities assumed, with the remaining amount being classified as goodwill. All assets, liabilities and contingent liabilities acquired or assumed in a business combination are recorded at their fair values at the date of acquisition. If the Company's interest in the fair value of the acquiree's net identifiable assets exceeds the cost of the acquisition, the excess is recognized in earnings. Transaction costs that are incurred in connection with a business combination, other than costs associated with the issuance of debt or equity securities, are expensed as incurred.

Cash and Cash Equivalents

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

Short-term Investments

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

Accounts Receivable

Accounts receivable are recorded at invoiced amounts, net of any allowance for doubtful accounts. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in existing accounts receivable.

The Company evaluates the collectability of accounts receivable on a regular basis based upon various factors including the financial condition and payment history of customers, an overall review of collections experience on other accounts and economic factors or events expected to affect future collections experience. Expected credit losses on our accounts receivable were $66,775 and $20,000 as at June 30, 2023 and 2022 respectively.

Concentration of Credit Risk and Other Risks and Uncertainties

At times, cash balances may exceed the Federal Deposit Insurance Corporation ("FDIC") or Canadian Deposit Insurance Corporation (CDIC) insurable limits. The Company has not experienced any losses related to these balances. The uninsured cash balance as of June 30, 2023, was $3.8 million. The Company does not believe it is exposed to significant credit risk on cash and cash equivalents.

The Company's customers are primarily concentrated in the United States.

As of June 30, 2023, we had three customers with an accounts receivable balance representing 41%, 30% and 15% of total accounts receivable.

For the year ended June 30, 2023, the Company had four customers that accounted for 22%, 17%, 16% and 11% of revenue. For the year ended June 30, 2022, the Company had three customer that accounted for 21%, 20%, and 11% of revenue.

Inventories

Inventories are initially valued at weighted average cost and subsequently valued at the lower of weighted average cost and net realizable value. Costs included in inventories are the purchase price of goods and cost of services rendered, freight costs, warehousing costs, purchasing costs and production and labor costs related to manufacturing.

In determining any valuation allowances, the Company reviews inventory for obsolete, redundant, and slow-moving goods. As of June 30, 2023, the Company has $93,820 as a valuation allowance to reduce weighted average cost to net realizable value. As of June 30, 2022, no amounts had been charged to the valuation allowance. During the year ended June 30, 2023 and 2022 the Company record an inventory write-down of $308,937 and $Nil respectively.

Property, Equipment and ROU Assets, Net

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

- Computer equipment – 5 years
- Lab equipment – 6 - 10 years
- Furnishings – 5 years

Computer equipment, lab equipment and furnishings, acquired or disposed of during the year, are depreciated proportionately for the period they are in use.

The right-of-use assets are initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received. The assets are amortized to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability (see Note 2 Lease (i)).

Intangible Assets, Net

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

In-Process R&D

In-process R&D (“IPR&D”) is classified as an indefinite-lived intangible asset and is not amortized. IPR&D becomes definite-lived upon the completion or abandonment of the associated research and development efforts.

All research and development costs incurred subsequent to the acquisition of IPR&D are expensed as incurred. Indefinite-lived intangible assets are evaluated for impairment on an annual basis or more frequently if an indicator of impairment is present.

Impairment of Long-Lived Assets

The Company assesses the recoverability of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset or assets. If carrying value exceeds the sum of undiscounted cash flows, the Company then determines the fair value of the underlying asset. Any impairment to be recognized is measured as the amount by which the carrying amount of the asset group exceeds the estimated fair value of the asset group. Assets classified as held for sale are reported at the lower of the carrying amount or fair value, less costs to sell. Based on the completion of the impairment test, the Company recorded an impairment charge of $Nil and $1,449,554 for Long-Lived Assets for the years ended June 30, 2023, and 2022, respectively. (See Note 5)

Goodwill

The Company tests goodwill for potential impairment annually on June 30, or more frequently if an event or other circumstance indicates that the Company may not be able to recover the carrying amount of the net assets of the reporting unit. The Company's operations consist of two operating and reportable segments, InMed Pharmaceuticals (the "InMed" segment) and BayMedica (the "BayMedica" segment). In evaluating goodwill for impairment, the Company may assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If a Company bypasses the qualitative assessment, or if the Company concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then the Company performs a quantitative impairment test by comparing the fair value of a reporting unit with its carrying amount and records an impairment charge if the carrying value exceeds the fair value. Based on the completion of the annual impairment test, the Company recorded an impairment charge of $2,023,039 for Goodwill for the years ended June 30, 2022, respectively. (See Note 5)

Financial Assets and Liabilities

Financial Assets

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

Short-term investments are subsequently recorded at cost plus accrued interest, which approximates fair value due to short term nature. Accounts receivable are reported at outstanding amounts, net of provisions for uncollectable amounts.

Financial Liabilities

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

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

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

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

The carrying value of cash and cash equivalents, short-term investments, accounts receivable, and accounts payable and accrued liabilities, approximate their carrying values as at June 30, 2023 and 2022 due to their immediate or short-term maturities.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. At June 30, 2023, and June 30, 2022, the Company had a full valuation allowance against its deferred tax assets.

Per FASB ASC 740-10, disclosure is not required of an uncertain tax position unless it is considered probable that a claim will be asserted and there is a more-likely-than-not possibility that the outcome will be unfavorable. Using this guidance, as of June 30, 2023, and 2022, the Company has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Company's 2023, 2022, 2021, and 2020 United States and Canadian tax returns remain subject to examination by their respective taxing authorities. Neither of the Company's tax returns are currently under examination.

Revenue Recognition

The Company recognizes revenue when the Company satisfies the performance obligations under the terms of a contract and control of its products and services is transferred to its customers in an amount that reflects the consideration the Company expects to receive from its customers in exchange for those products and services. ASC 606, *Revenue from Contracts with Customers* defines a five-step process to recognize revenue that requires judgment and estimates, including identifying the contract with the customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognizing revenue when or as the performance obligation is satisfied.

Revenue consists of manufacturing and distribution sales of bulk rare cannabinoids, 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. Sales and other taxes that are required to be remitted to regulatory authorities are recorded as liabilities and excluded from sales. Limited rights of return, for claims of damaged or non-compliant products, exist with the Company's customers.

The Company has elected the practical expedient that allows it to recognize the incremental costs of obtaining a contract as an expense, when incurred, if the amortization period of the asset that the Company otherwise would have recognized is one year or less.

Revenues within the scope of ASC 606 do not include material amounts of variable consideration. Customer payments are generally due in advance of when control is transferred to the customer. Some of our larger customers with which we have history with are eligible for payment terms up to net 30.

Cost of Sales

Cost of sales consists 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 the Company's manufacturing business.

Shipping and Handling

The Company records freight billed to customers within Net sales. Shipping and handling costs associated with inbound freight and goods shipped to customers are recorded in cost of sales. Other shipping and handling costs, such as for quality assurance, are recorded in operating expenses.

Earnings (Loss) Per Share

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

The following table sets forth the number of potential shares of common stock that have been excluded from diluted net income (loss) per because their effect was anti-dilutive:

	Year ended June 30,	
	2023	**2022**
Options	102,642	55,603
Warrants	3,516,529	505,128
	3,619,171	560,731

Share-based Payments

The Company follows the requirements of FASB ASC 718-10-10, Share-Based Payments with regards to stock-based compensation issued to employees and non-employees. The Company has agreements and arrangements that call for stock to be awarded to the employees and consultants at various times as compensation and periodic bonuses. The expense for this stock-based compensation is equal to the fair value of the stock price on the day the stock was awarded multiplied by the number of shares awarded. The Company has a relatively low forfeiture rate of stock-based compensation and forfeitures are recognized as they occur.

The valuation methodology used to determine the fair value of the options issued during the period is the Black-Scholes option-pricing model. The Black-Scholes model requires the use of a number of assumptions including the volatility of the stock price, the average risk-free interest rate, and the weighted average expected life of the options. Risk-free interest rates are calculated based on continuously compounded risk-free rates for the appropriate term. The dividend yield is assumed to be zero as the Company has never paid or declared any cash dividends on its Common Stock and does not intend to pay dividends on its Common Stock in the foreseeable future. The expected forfeiture rate is estimated based on management's best assessment.

Estimated volatility is a measure of the amount by which InMed's stock price is expected to fluctuate each year during the expected life of the award. The Company's calculation of estimated volatility is based on historical stock prices over a period equal to the expected life of the awards.

Research and Development Costs

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

Patents and Intellectual Property Costs

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

Segment reporting

The Company's operations consist of two operating and reportable segments, the InMed segment and the BayMedica segment.

The InMed segment is largely organized around the research and development of cannabinoid-based pharmaceuticals products and the BayMedica segment is largely organized around developing proprietary manufacturing technologies to produce rare cannabinoids for sale in the health and wellness industry (See Note 13).

Leases

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

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

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

The Company has elected to apply the practical expedient to exclude initial direct costs such as annual operating costs from the measurement of the right-of-use asset at the date of initial application. The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The lease payments associated with these leases is recognized as an expense on a straight- line basis over the lease term.

Recent Accounting Pronouncements

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. INVENTORIES

Inventories consisted of the following:

	June 30, 2023	June 30, 2022
	$	$
Raw materials	208,737	292,577
Work in process	514,113	1,724,851
Finished goods	893,506	473,426
Inventories	1,616,356	2,490,854

During the year ended June 30, 2023 and 2022, the write-down of inventories to net realizable value was $308,937 and $Nil respectively. Contributing factors to the decrease in net realizable value included lower demand and downward pricing pressure for certain products. As of June 30, 2023 and 2022, the Company has $93,820 and $Nil respectively as a valuation allowance to reduce weighted average cost to new basis.

4. PROPERTY, EQUIPMENT AND ROU ASSETS, NET

Property, equipment and ROU assets consisted of the following:

	June 30, 2023	June 30, 2022
	$	$
Right-of-Use Assets (leases)	1,167,436	1,167,436
Equipment	440,902	212,877
Furnishing	40,409	40,409
Property and equipment	1,648,747	1,420,722

Less: accumulated depreciation and amortization	(925,321)	(516,470)
Property, equipment and ROU assets, net	723,426	904,252

Depreciation expense on computer equipment, lab equipment and furnishing for the year ended June 30, 2023 and 2022, was $39,613 and $26,426 respectively and was recorded in general and administrative expenses. Amortization expense related to the right-of-use assets for the year ended June 30, 2023 and 2022, was $369,239 and $289,594 respectively and was recorded in general and administrative expenses.

5. IMPAIRMENT OF INTANGIBLE ASSETS AND GOODWILL

During the year ended June 30, 2022, the Company recorded goodwill of $2,023,039, definite lived intangible assets of $216,000, IPR&D of $1,249,000 and patents of $1,191,000 in connection with the acquisition of BayMedica, as described in Note 7.

The Company performs an annual impairment test at the reporting unit level as of June 30 of each fiscal year.

As of June 30, 2022, the Company qualitatively assessed whether it is more likely than not that the respective fair value of the Company's BayMedica reporting unit was less than its carrying amount, including goodwill. For a variety of reasons, performance of the BayMedica segment has not materialized as expected. Contributing factors include but are not limited to the following:

- market demand for launched compounds has not materialized as quickly as the Company anticipated;
- recent overarching recessionary pressures have contributed to hesitation within the health and wellness (H&W) sector to invest in, and launch, new rare cannabinoid products;
- in this nascent market, BayMedica's perceived competitive advantages of certified, high purity and reliability and consistency of supply have not resonated with the industry's current product manufacturers; and
- additional downward pricing pressure for cannabinoids in the H&W sector.

As a result of this sustained decline in performance compared to expectations and continuing market uncertainties, the Company determined that as of June 30, 2022, it was more likely than not that the carrying value of these acquired intangibles exceeded their estimated fair value. Accordingly, the Company performed an impairment analysis as of that date using the income method, the relieve from royalty method and the multi-period excess earnings method. This analysis required significant judgments, including the estimation of future revenues, royalties, licensing fees, costs, the probability of success in various phases of its development programs, potential post launch cash flows and discount rates. The Company recorded a goodwill and intangible asset impairment charge for the excess of the reporting unit's carrying value over its fair value.

As of June 30, 2023, the Company did not identify any impairment indicators and no impairment was recorded on our remaining intangible assets.

The following table provides the Company's goodwill, indefinite and definite lived intangible assets as of June 30, 2023 and 2022. There was no impairment of InMed long lived intangible assets as of June 30, 2023 and 2022.

	$
Goodwill	

Balance at July 1, 2021	-
Acquired at October 13, 2021	2,023,039
Impairment losses	(2,023,039)
Balance at June 30, 2022 and 2023	-
Indefinite lived intangible assets	
IPR&D	
Balance at July 1, 2021	-
Acquired at October 13, 2021	1,249,000
Impairment losses	(1,249,000)
Balance at June 30, 2022 and 2023	-
Definite lived intangible assets	
Trademark and Intellectual Property	
Balance at July 1, 2021	1,736,420
Acquired at October 13, 2021	216,000
Amortization	(786,637)
Impairment losses	(200,554)
Balance at June 30, 2022	965,229
Amortization	(96,468)
Impairment losses	-
Balance at June 30, 2023	868,761
Definite lived intangible assets	
Patents	
Balance at July 1, 2021	-
Acquired at October 13, 2021	1,191,000
Amortization	(47,314)
Impairment losses	-
Balance at June 30, 2022	1,143,686
Amortization	(66,168)
Impairment losses	-
Balance at June 30, 2023	1,077,518
Intangible assets, net as of June 30, 2022	2,108,915
Intangible assets, net as of June 30, 2023	1,946,279

During the year ended June 30, 2022, the Company recognized a goodwill impairment charge of $2 million which is a non recuring level 3 measurement. For the identified indefinite lived assets, the Company recognized an impairment charge of $Nil and $1.2 million during the years ended June 30, 2023 and 2022, respectively. For identified definite lived intangible assets, the Company recognized an impairment charge of $Nil and $0.2 million during the years ended June 30, 2023 and 2022, respectively.

6. INTANGIBLE ASSETS

The following table summarizes the Companies intangible assets:

	June 30, 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 amortization	(981,141)	(818,505)
Intangible assets, net	1,946,279	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. As at June 30, 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 year ended June 30, 2023 and 2022 was $162,636 and $159,228 respectively. The Company expects amortization expense to be incurred over the next five years as follows:

Twelve months ending June 30,	$
2024	158,935
2025	158,935
2026	158,935
2027	158,935
2028	158,935
Thereafter	1,151,604
Total	1,946,279

7. ACQUISITION

On October 13, 2021, the Company completed the acquisition of BayMedica, a private company based in the U.S. that specializes in the manufacturing and commercialization of rare cannabinoids. The Company acquired 100% of BayMedica in exchange for i) 82,000 common shares issued to BayMedica's equity and convertible debt holders, subject to a six-month contractual hold period and ii) $1 million to be held in escrow, subject to reduction for certain post-closing adjustments or satisfaction of indemnification claims under the definitive agreement (the "BayMedica Agreement") in the six- and twelve-month periods following the closing.

Total consideration for the acquisition of BayMedica is summarized as follows:

	Purchase Price Consideration ($)
Estimated fair value of common shares issued	3,013,500
Cash	1,000,000
Less: Post-closing adjustments	(199,543)
Estimated fair value of consideration transferred	3,813,957

The 82,000 common shares were valued at $36.75 per share, being the closing price of the Company's common shares on Nasdaq on October 13, 2021. The cash component is subject to reduction for certain post-closing adjustments or satisfaction of indemnification claims and therefore is subject to further changes.

Prior to the acquisition, the Company has a $425,000 loan receivable from BayMedica and BayMedica has an equal loan payable to the Company. As a result of the acquisition of BayMedica, the loan receivable and payable is effectively settled between the parties.

In accordance with the acquisition method of accounting, the purchase price of BayMedica has been allocated to the acquired assets and assumed liabilities based on their estimated acquisition date fair values. The fair value estimates were based on income, estimates and other analyses. The excess of the total consideration over the estimated fair value of the amounts initially assigned to the identifiable assets acquired and liabilities assumed has been recorded as goodwill, which is not deductible for income taxes purposes. The goodwill balance represents the assembled workforce acquired, the combined Company's expectations of the strategic opportunities available as a result of the acquisition, and other synergies that will be derived from the acquisition.

The following table summarizes the final fair value of assets acquired and liabilities assumed as of the acquisition date:

	Purchase Price Allocation ($)
Assets acquired:	
Cash and cash equivalents	91,566
Accounts receivable	36,100
Inventories	487,122
Prepaid expenses and deposits	131,674
Property and equipment	133,911
IPR&D	1,249,000
Patents	1,191,000
Trademark	216,000
Goodwill	2,023,039
Total assets acquired	5,559,412
Liabilities assumed:	
Accounts payable and accrued liabilities	1,024,487
Other short-term liabilities	598,245
Long-term debt	122,723
Total liabilities acquired	1,745,455
Estimated fair value of net assets acquired	3,813,957

Tangible assets and liabilities were valued at their respective carrying amounts as management believes that these amounts approximated their acquisition-date fair values.

The Purchase Price allocation includes certain identifiable intangible assets with an estimated fair value of approximately $2,656,000. These intangible assets include trade secrets, product formulation knowledge, patents and trademarks.

Acquired IPR&D are related identifiable intangible assets associated with cannabinoid manufacturing processes and includes knowhow and trade secrets. The multi-period excess earnings method was used to determine the fair value of these assets as at the date of acquisition.

The acquired trademark represents the trade name ProDiol®. The fair value of the trademark was determined using the relief from royalty method.

Acquired patents consist of patents related to the development of cannabinoid analogs, the fair value of which was determined using the income approach. This intangible asset is being amortized over an estimated useful life of 18 years.

Following the acquisition date, the operating results of BayMedica have been included in the consolidated financial statements. For the period from the October 13, 2021 acquisition date through June 30, 2022, sales attributable to BayMedica were $1.1 million and operating losses attributable to BayMedica were $5.2 million. Acquisition-related expenses, which were comprised primarily of regulatory, financial advisory and legal fees, totaled $0.2 million for the year ended June 30, 2022 and were included in general and administrative expenses in the consolidated statements of operations and comprehensive loss.

The following table presents the pro forma consolidated results of the Company assuming the BayMedica acquisition had been completed on July 1, 2021:

	Year Ended June 30, 2022
Sales	$ 1,365,755
Net loss	$(19,260,014)
Net loss per share	$ (34.34)
Weighted average number of shares outstanding	560,829

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	June 30, 2023	**June 30, 2022**
	$	$
Trade payables	544,179	1,166,068
Accrued research and development expenses	164,587	839,638
Employee compensation, benefits and related accruals	542,305	139,120
Accrued general and administrative expenses	357,664	270,439
Accounts payable and accrued liabilities	1,608,735	2,415,265

9. 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 consolidated financial statements and notes thereto have been adjusted retrospectively to reflect this reverse stock split.

a) Authorized

As of June 30, 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 June 30, 2023 and 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 year ended June 30, 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)

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 June 30, 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 $831,292 allocated to additional paid-in capital and recorded as a component of shareholders' equity in the consolidated balance sheet. As of June 30, 2023, there were no pre-funded warrants outstanding.

During the year ended June 30, 2022, the Company completed the following:

July 2021 Private Placement Offering:

Transaction Description	Number	Issue Price	Total
Shares Issued	35,600	$ 74.325	$ 2,645,970
Pre-funded Warrants Issued	125,853	$ 74.3226	9,353,716
Gross Proceeds			$ 11,999,686
Allocated to Additional Paid-in Capital			(10,540,635)
			$ 1,459,051
Share Issuance Costs			$ (247,336)

On July 2, 2021, the Company closed a private placement of its common shares and issued an aggregate of 35,600 common shares and 125,853 pre-funded warrants, for gross proceeds of $11,999,686. 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 a warrant to purchase a common share. Transaction costs were allocated proportionally between common shares and warrants with $247,336 allocated to common shares and the balance of $1,786,831 allocated to additional paid-in capital and recorded as a component of shareholders' equity in the consolidated balance sheet. The 125,853 pre-funded warrants were fully exercised for 125,853 common shares during the year ended June 30, 2022, resulting in a $4,283,654 reclassification from additional paid-in capital to common shares.

June 2022 Registered Direct and Private Placement Offerings:

Transaction Description	Number	Issue Price	Total
Shares Issued	65,002	$ 21.450	$ 1,394,286
Pre-funded Warrants Issued	168,099	$ 21.4474	3,605,294
Gross Proceeds			$ 4,999,580
Allocated to Additional Paid-in Capital			(4,245,508)
			$ 754,072
Share Issuance Costs			$ (127,884)

On April 22, 2022, the Company issued 10,759 common shares under an at-the-market offering ("ATM") for proceeds of $146,533, net of issuance costs.

On June 6, 2022, the Company closed a registered direct offering and concurrent private placement of its common shares. In the registered direct offering, the Company issued an aggregate of 65,002 common shares and 98,169 pre-funded warrants, for gross proceeds of $3,500,002. In the concurrent private placement, the Company issued an aggregate of 69,930 pre-funded warrants for gross proceeds of $1,499,999. The pre-funded warrants were determined to be common stock equivalents. Each common stock and each pre-funded warrant were sold in the offerings with a preferred investment option to purchase a common share. Transaction costs were allocated proportionally between common shares and warrants with $127,884 allocated to common shares and the balance of $719,964 allocated to additional paid-in capital and recorded as a component of shareholders' equity in the consolidated balance sheet.

During the year ended June 30, 2022, in accordance with the BayMedica Agreement, the Company issued 82,000 common shares to BayMedica's historical equity and convertible debt holders (See Note 7). In addition, the Company issued 78,312 common shares for consulting services.

As part of the Company's financing in the year ended June 30, 2023 and 2022, the units included pre-funded warrants of 2,269,430 and 293,952 respectively. These warrants contained an exercise price of $.0001 and were exercised in the year issued.

c) Share Purchase Warrants

On July 2, 2021, 161,453 warrants were issued with an exercise price of $71.20 per share, were immediately exercisable upon issuance, and expire 5 years following the date of issuance. The pre-funded and common warrants did not meet the criteria to be classified as a liability award and therefore were treated as an equity award and recorded as a component of shareholders' equity in the consolidated balance sheet. On June 6, 2022, the Company amended the warrants to re-price them to $18.50 per share with an expiry date of June 6, 2029. Accordingly, the Company has calculated the incremental fair value from the modification to be $1,194,752 and is recognized as a warrant modification expense in the statement of operations.

The following is a summary of changes in share purchase warrants from July 1, 2021 to June 30, 2023:

	Number	Weighted Average Share Price	Aggregate Intrinsic Value
Balance as at July 1, 2021	98,920	$ 75,47	$ -
Granted	161,453	18.50	-
Exercised	(15,606)	11.25	125,611
Balance as at June 30, 2022	244,767	41.99	-
Granted	-	-	-
Expired / Cancelled	(191,345)	18.04	-
Exercised	-	-	-
Balance as at June 30, 2023	53,422	$ 92.91	$ -

The intrinsic value of warrants as of June 30, 2023 and 2022 was $Nil.

d) Agents' Warrants

On July 2, 2021, 12,109 warrants were issued for services with an exercise price of $92.9075 per share, were immediately exercisable upon issuance, and expire 5 years following the date of issuance. The agents' warrants did not meet the criteria to be classified as a liability award and therefore were treated as an equity award and recorded as a component of shareholders' equity in the consolidated balance sheet.

The following is a summary of changes in agents' warrants from July 1, 2021 to June 30, 2023:

	Number	Weighted Average Share Price	Aggregate Intrinsic Value
Balance as at July 1, 2021	-	$ -	$ -
Granted	12,109	92.91	-
Exercised	-	-	-
Balance as at June 30, 2022	12,109	92.91	-
Granted	-	-	-

Expired / Cancelled	-	-	-
Exercised	-	-	-
Balance as at June 30, 2023	12,109	$ 92.91	$ -

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.

On June 6, 2022, 233,100 preferred investment options were issued with an exercise price of $19.75 per share, were immediately exercisable upon issuance, and expire 6.5 years following the date of issuance.

The following is a summary of changes in preferred investment options from July 1, 2021 to June 30, 2023:

	Number	Weighted Average Share Price	Aggregate Intrinsic Value
Balance as at July 1, 2021	-	$ -	$ -
Granted	233,100	19.75	-
Exercised	-	-	-
Balance as at June 30, 2022	233,100	19.75	-
Granted	4,655,223	4.65	-
Expired / Cancelled	(1,615,590)	9.89	-
Exercised	-	-	-
Balance as at June 30, 2023	3,272,733	$ 3.04	$ -

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.

On June 6, 2022, 15,152 preferred investment options were issued for services with an exercise price of $26.8125 per share, were exercisable 4 months upon issuance, and expire 5 years following the date of issuance.

The following is a summary of changes in Agents' Investment Options from July 1, 2021 to June 30, 2023:

	Number	Weighted Average Share Price	Aggregate Intrinsic Value
Balance as at July 1, 2021	-	$ -	$ -
Granted	15,152	26.81	-
Exercised	-	-	-
Balance as at June 30, 2022	15,152	26.81	-
Granted	163,113	5.98	-
Expired / Cancelled	-		-
Exercised	-	-	-
Balance as at June 30, 2023	178,265	$ 7.75	$ -

10. 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 June 30, 2023 and 2022, there were 51,633 and 18,163, respectively, 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, 2021 to June 30, 2023:

	Number	Weighted Average Exercise Price
Balance as at June 30, 2021	36,472	$ 215.35
Granted	31,160	34.20
Expired/Forfeited	(12,029)	122.38
Balance as at June 30, 2022	55,603	128.59
Granted	61,720	1.85
Expired/Forfeited	(14,681)	267.13
Balance as at June 30, 2023	102,642	$ 31.28
June 30, 2022:		
Vested and exercisable	26,182	228.87
Unvested	29,421	$ 39.35
June 30, 2023:		
Vested and exercisable	51,067	57.44
Unvested	51,575	$ 5.38

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 year ended June 30, 2023 and 2022, was $1.85 and $21.04 respectively, per option. Assumptions used for options granted during the year ended June 30, 2023 and 2022 included a weighted average risk-free interest rate of 3.74% and 1.17% respectively, 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% and 97.15% respectively, weighted average dividend yield of 0% and 0% respectively and a 5% and 5% respectively.

ii) Expenses Arising from Share-based Payment Transactions:

Total expenses arising from share-based payment transactions recognized during the year months ended June 30, 2023 and 2022, were $278,154 and $697,894 respectively. $162,200 and $419,075 respectively, was allocated to general and administrative expenses and the remaining $115,954 and $278,819 respectively, was allocated to research and development expenses. Unrecognized compensation cost at June 30, 2023 related to unvested options was $51,575 which will be recognized over a weighted-average vesting period of 3.6 years.

11. LEASE OBLIGATIONS

The Company is committed to minimum lease payments as follows:

Maturity Analysis	June 30, 2023
	$
Less than one year	384,713
One to five years	9,017
More than five years	-
Total undiscounted lease liabilities[1]	393,730
Less: imputed interest	(2,023)
Present value of lease liabilities	391,707
Less: Current portion of lease liabilities	(375,713)
Non-current portion of lease liabilities	(15,994)

[1] Excludes estimated variable operating costs of $92,964 and $78,500 on an annual basis through to April 30, 2024 and August 31, 2024, respectively.

12. INCOME TAXES

The following is a reconciliation of income taxes calculated at the combined Canadian federal and provincial income statutory corporate tax rate of 27.0% to the tax expense:

	2023	2022
	$	$
US net loss before taxes	(1,212,372)	(5,189,364)
Canada net loss before tax	(6,735,250)	(13,410,749)
Net loss before taxes	(7,947,622)	(18,600,117)
Income tax expense (recovery) at the statutory rate	(2,073,116)	(4,710,669)
Increase (reduction) in income taxes resulting from:		
Change in valuation allowance	2,532,867	4,112,045
State taxes	9,638	(220,491)
Permanent differences	76,605	613,269
Foreign exchange differences	417,194	591,263
Share issuance cost capitalized in equity	(553,877)	(582,548)
Other	(396,211)	197,131
Income tax expense (recovery)	13,100	-

As of June 30, 2023, the Company has non-capital loss carry-forwards of approximately $67,875,659 (June 30, 2022 - $62,921,785) available to offset future taxable income in Canada. These non-capital loss carryforwards begin to expire in 2026. As of June 30, 2023, the Company has US Federal net operating losses of $4,295,287 and state net operating losses of $3,328,922. The US Federal NOLs have an indefinite carryforward period, and the state NOLs begin to expire in 2042.

Deferred tax assets and liabilities are as follows:

	2023	2022
	$	$
Non-capital losses	19,490,270	17,003,766

Financing costs	1,265,542	702,479
Accrued expenses	11,638	193,549
Intangible assets, net	131,714	553,392
Tax credits	241,270	248,254
Lease liability	98,827	51,994
	21,239,261	18,753,434
Property and equipment, net	(119,889)	(16,546)
Lease obligations	(91,377)	(55,260)
	(211,266)	(71,806)
Net deferred tax asset	21,027,995	18,681,628
Valuation allowance	(21,027,995)	(18,681,628)
	-	-

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

The Company recognizes tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from any such position would be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. It is the Company's policy to recognize interest and penalties accrued on any uncertain tax benefits as a component of income tax expense. As of June 30, 2023, the Company has one uncertain tax position relating to IRS code 280E. The effect of this uncertainty relates to the deductions available to the Company regarding cost of goods sold.

The Company files income tax returns in the U.S. federal jurisdiction, various state jurisdictions, and Canada. With few exceptions, the Company is no longer subject to U.S. federal and state tax examinations for fiscal years prior to 2019.

The Company is subject to taxation at the federal, state, and local levels in the United States and Canada.

13. SEGMENT INFORMATION

As of the closing of the BayMedica acquisition, the Company aligned into two operating and reportable segments, the InMed segment and the BayMedica segment. The Company reports segment information based on the management approach which designates the internal reporting used by the Chief Operating Decision Maker ("CODM"), which is the Company's Chief Executive Officer, for making decisions and assessing performance as the source of the Company's reportable segments. The CODM allocates resources and assesses the performance of each operating segment based on potential licensing opportunities, historical and potential future product sales, operating expenses, and operating income (loss) before interest and taxes. The Company has determined its reportable segments to be InMed and BayMedica based on the information used by the CODM. Other than cash, cash equivalents and short-term investments ("Unrestricted cash") balances, the CODM does not regularly review asset information by reportable segment and therefore, the Company does not report asset information by reportable segment.

The InMed segment is largely organized around the research and development of cannabinoid-based pharmaceuticals products and the BayMedica segment is largely organized around developing proprietary manufacturing technologies to produce rare cannabinoids for sale in the health and wellness industry. Total assets as of June 30, 2023 and 2022, held in the InMed segment are $9,498,752 and $8,010,832 respectively. Total assets as of June 30, 2023 and 2022, held in the BayMedica segment are $4,607,588 and $4,776,746 respectively.

The following table presents information about the Company's reportable segments for the year ended June 30, 2023 and 2022:

	Year Ended June 30,					
	2023			2022		
	InMed	BayMedica	**Total**	InMed	BayMedica	**Total**
	$	$	**$**	$	$	**$**
Sales	-	4,135,561	**4,135,561**	-	1,089,435	**1,089,435**
Cost of sales	-	(2,423,588)	**(2,423,588)**	-	(545,889)	**(545,889)**
Inventory write-down	-	(308,937)	**(308,937)**	-	-	**-**
Operating expenses	(6,990,477)	(2,791,346)	**(9,781,823)**	(11,998,435)	(5,809,460)	**(17,807,895)**
Other income (expense)	255,227	175,938	**431,165**	(1,412,318)	76,550	**(1,335,768)**
Net loss	(6,735,250)	(1,212,372)	**(7,947,622)**	(13,410,753)	(5,189,364)	**(18,600,117)**
Unrestricted cash	8,036,714	875,803	**8,912,517**	5,984,622	192,244	**6,176,866**

14. COMMITMENTS AND CONTINGENCIES

Pursuant to the terms of agreements with various contract research organizations, as of June 30, 2023, the Company is committed for contract research services and materials at a cost of approximately $2.0 million, expected to occur in the twelve months following period.

Pursuant to the terms of agreements with various vendors, as of June 30, 2023, the Company is committed for contract materials and equipment at a cost of approximately $0.7 million, expected to occur in the twelve months following June 30, 2023.

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 $44,422 and 44,676 as of June 30, 2023 and 2022 respectively, 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, a wholly-owned subsidiary of the Company, entered into a patent license agreement ("Agreement") with a third party (the "Licensor") in an agreement dated February 15, 2021. The Company is required to make future royalty payments to the Licensor based on net sales of licensed products, with minimum payments required starting in 2021 to maintain an exclusive license. In December 2021, the Company amended the License Agreement including the deferral of the 2021 minimum payments to 2022. As of June 30, 2023, the Company 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. 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. 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 June 30, 2022, NRF rendered legal services in the amount of $345,935 to the Company. During the year ended June 30, 2023, NRF rendered legal services in the amount of $634,208 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.

16. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date of the filing of this Annual Report on Form 10-K and determined that there have been no events that have occurred that would require adjustments to our disclosures in the consolidated financial statements except for the transactions described below.

On September 19, 2023, the Company received written notice from the listing qualifications department staff of The Nasdaq Capital Market ("Nasdaq") notifying it that the average closing bid price of the Company's common shares over a period of 30 consecutive trading days was below the minimum $1.00 per share requirement for continued listing on the Nasdaq under Nasdaq Listing Rule 5550(a)(2).

In accordance with applicable Nasdaq procedures, the Company has a period of 180 calendar days following the receipt of the written notice mentioned above to cure the deficiency and regain compliance. The notice has no immediate impact on the listing of the Company's common shares, which will continue to trade on the Nasdaq subject to the Company's continued compliance with the other listing requirements of the Nasdaq. The common shares of the Company will continue to trade under the symbol "INM". The Company intends to monitor the closing share price for its common shares and explore available options to regain compliance.

In the event the Company does not evidence compliance with the minimum bid price requirement during the 180-day grace period, it is expected that Nasdaq would notify the Company that its common shares are subject to delisting. At such time, the Company may appeal such determination to a Nasdaq Hearings Panel (the "Panel") and it is expected that the Company's securities would continue to be listed and available to trade on Nasdaq at least pending the completion of the appeal process. There can be no assurance that any such appeal would be successful or that the Company would be able to evidence compliance with the terms of any extension that may be granted by the Panel.