ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated Financial Statements of

InMed Pharmaceuticals Inc.

For the Years Ended June 30, 2024 and 2023

InMed Pharmaceuticals Inc.
(Expressed in U.S. Dollars)
June 30, 2024

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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 sheets of InMed Pharmaceuticals Inc. (the “Company”) as of June 30, 2024 and 2023, the related consolidated statements of operations, changes in shareholders’ equity and cash flows for each of the two years in the period ended June 30, 2024, 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, 2024 and 2023, and the results of its operations and its cash flows for each of the two years in the period ended June 30, 2024, 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 recurring losses and negative cash flows and has an accumulated deficit that 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 audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits 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 audits, 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 audits 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 audits 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 audits provide 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 27, 2024

InMed Pharmaceuticals Inc.
CONSOLIDATED BALANCE SHEETS
Expressed in U.S. Dollars

	June 30, 2024	June 30, 2023
	$	$
ASSETS		
Current		
Cash and cash equivalents	**6,571,610**	8,912,517
Short-term investments	**43,064**	44,422
Accounts receivable (less provision for credit losses of $nil and $66,775 in June 30, 2024 and 2023, respectively)	**352,838**	260,399
Inventories, net	**1,244,324**	1,616,356
Prepaids and other current assets	**477,749**	498,033
Total current assets	**8,689,585**	11,331,727
Non-Current		
Property, equipment and ROU assets, net	**1,249,999**	723,426
Intangible assets, net	**1,783,198**	1,946,279
Other assets	**100,000**	104,908
Total Assets	**11,822,782**	14,106,340
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**1,654,011**	1,608,735
Current portion of lease obligations	**317,797**	375,713
Deferred rent	**-**	16,171
Total current liabilities	**1,971,808**	2,000,619
Non-current		
Lease obligations, net of current portion	**644,865**	15,994
Total Liabilities	**2,616,673**	2,016,613
Commitments and Contingencies (Note 12)		
Shareholders' Equity		
Common shares, no par value, unlimited authorized shares: 8,918,956 and 3,328,191 as of June 30, 2024 and 2023, respectively, issued and outstanding	**82,784,400**	77,620,252
Additional paid-in capital	**35,368,899**	35,741,115
Accumulated deficit	**(109,075,759)**	(101,400,209)
Accumulated other comprehensive income	**128,569**	128,569
Total Shareholders' Equity	**9,206,109**	12,089,727
Total Liabilities and Shareholders' Equity	**11,822,782**	14,106,340
Related Party Transactions (Note 13)		

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

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

	For the Year Ended June 30,	
	2024	2023
	$	$
Sales	**4,597,730**	4,135,561
Cost of sales	**3,496,817**	2,732,525
Gross profit	**1,100,913**	1,403,036
Operating Expenses		
Research and development and patents	**3,765,028**	3,732,056
General and administrative	**5,250,715**	5,847,518
Amortization and depreciation	**219,600**	202,249
Foreign Exchange Loss	**61,921**	48,175
Total operating expenses	**9,297,264**	9,829,998
Other Income (Expense)		
Interest and other income	**527,901**	492,440
Loss before income tax expense	**(7,668,450)**	(7,934,522)
Income tax expense	**(7,100)**	(13,100)
Net loss for the year	**(7,675,550)**	(7,947,622)
Net loss per share for the year		
Basic and diluted	**(1.01)**	(3.25)
Weighted average outstanding common shares		
Basic and diluted	**7,621,075**	2,448,458

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, 2024 and 2023
Expressed in U.S. Dollars

	Common Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	#	$	$	$	$	$
Balance July 1, 2023	3,328,191	77,620,252	35,741,115	(101,400,209)	128,569	12,089,727
Private placement	3,272,733	3,240,006	1,976,188	-	-	5,216,194
Share issuance costs			(562,151)			(562,151)
Exercise of pre-funded warrants	2,318,032	1,924,142	(1,923,967)	-	-	175
Loss for the period	-	-	-	(7,675,550)	-	(7,675,550)
Share-based compensation	-	-	137,714	-	-	137,714
Balance June 30, 2024	**8,918,956**	**82,784,400**	**35,368,899**	**(109,075,759)**	**128,569**	**9,206,109**

	Common Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	#	$	$	$	$	$
Balance July 1, 2022	650,667	70,718,461	31,684,098	(93,452,587)	128,569	9,078,541
Private placement	240,000	673,748	11,326,042	-	-	11,999,790
Share issuance costs	-	(115,955)	(1,895,311)	-	-	(2,011,266)
Agents' investment options	-	-	691,483	-	-	691,483
Exercise of pre-funded warrants	2,437,524	6,343,998	(6,343,352)	-	-	646
Loss for the period	-	-	-	(7,947,622)	-	(7,947,622)
Share-based compensation	-	-	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**

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, 2024 and 2023
Expressed in U.S. Dollars

	2024	2023
	$	$
Cash provided by (used in):		
Operating Activities		
Net loss	**(7,675,550)**	(7,947,622)
Items not requiring cash:		
Amortization and depreciation	**219,600**	202,249
Share-based compensation	**137,714**	278,155
Amortization of right-of-use assets	**384,918**	393,748
Interest income received on short-term investments	**(1,250)**	(803)
Unrealized foreign exchange loss	**12,262**	1,183
Inventory write-down	**305,812**	308,937
Credit losses	**-**	46,775
Changes in operating assets and liabilities:		
Inventories	**66,220**	565,561
Prepaids and other currents assets	**20,284**	299,192
Other non-current assets	**4,908**	5,507
Accounts receivable	**(92,439)**	(219,147)
Accounts payable and accrued liabilities	**45,282**	(806,530)
Deferred rent	**(16,171)**	16,171
Lease obligations	**(397,422)**	(426,575)
Total cash used in operating activities	**(6,985,832)**	(7,283,199)
Investing Activities		
Payment of acquisition consideration	**-**	(500,000)
Payment of deposit on equipment	**-**	(1,790)
Purchase of property and equipment	**(9,293)**	(160,014)
Sale of short-term investments	**42,082**	42,268
Purchase of short-term investments	**(42,082)**	(42,268)
Total cash used in investing activities	**(9,293)**	(661,804)
Financing Activities		
Proceeds from the exercise of pre-funded warrants	**175**	646
Proceeds from the private placement net of issuance costs	**4,654,043**	10,680,008
Total cash provided by financing activities	**4,654,218**	10,680,654
Increase (decrease) in cash during the year	**(2,340,907)**	2,735,651
Cash and cash equivalents beginning of the year	**8,912,517**	6,176,866
Cash and cash equivalents end of the year	**6,571,610**	8,912,517
SUPPLEMENTARY CASH FLOW INFORMATION:		
Cash Paid During the Year for:		
Income taxes	**$ 7,100**	$ 13,100
Interest	**$ -**	$ -
SUPPLEMENTARY DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Preferred investment options to its placement agent	**$ 325,699**	$ 691,484
Fair value of warrant modification recorded as equity issuance costs	**$ 3,508,749**	$ -
Recognition of Right-of-use asset and corresponding operating lease	**$ 968,376**	$ -

The accompanying notes form an integral part of these consolidated 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 Suite 1445– 885 West Georgia 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, 2024, the Company has funded its operations primarily with proceeds from the sale of Common Shares. The Company has incurred recurring losses and negative cash flows from operations since its inception, including net losses of approximately $7.7 million and $7.9 million for the years ended June 30, 2024 and 2023, respectively. In addition, the Company had an accumulated deficit of approximately $109.1 million as of June 30, 2024. 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 $6.6 million as of June 30, 2024 will be sufficient to fund its operating expenses and capital expenditure requirements to the end of the fourth 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.

In connection with the Company's assessment of going concern considerations in accordance with Subtopic 205-40, management has determined that the Company's liquidity condition raises substantial doubt about the Company's ability to continue as a going concern, which is considered to be for a period of one year from the issuance of these financial statements. These consolidated financial statements do not include any adjustments relating to recoverability and classification of recorded asset amounts or the amounts of classification of liabilities that might result from the outcome of this uncertainty. Such adjustments could be material.

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. During the three months and nine months ended March 31, 2024, we adopted a change in presentation on our consolidated statements of operations in order to include foreign exchange loss in operating expenses. The Company has adopted ASU 2023-07 - Improvements to Reportable Segment Disclosures which has required prior period to reflect the change in presentation. Refer to discussion on Recent Accounting Pronouncements below.

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 application of the going concern assumptions, determining the fair value of share-based payments, income tax provisions, write-down of inventories to net realizable value, warrant valuations, and the assumptions used in the determination of research & development accruals.

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. As of June 30, 2024 and 2023, the Company holds $1,939,482 and $1,478,487 respectively, of cash equivalents in a money market fund that is considered Level 1 in the financial instruments hierarchy due to the readily available quoted prices in active markets for identical instruments.

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 credit losses. 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 $0 and $66,775 as at June 30, 2024 and 2023 respectively. We had $66,775 and $0 of write-offs during the year ended June 30, 2024 and 2023, 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, 2024, was $2.4 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, 2024, we had five customers with an accounts receivable balance representing 32%, 20%, 15%,15% and 14% of total accounts receivable.

For the year ended June 30, 2024, the Company had five customers that accounted for 34%, 18%, 14%, 12% and 10% of revenue. For the year ended June 30, 2023, the Company had four customers that accounted for 22%, 17%, 16% 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, 2024, the Company has $103,434 as a valuation allowance to reduce weighted average cost to net realizable value. As of June 30, 2023, the Company has $93,820 as a valuation allowance to reduce weighted average cost to net realizable value. During the year ended June 30, 2024 and 2023 the Company record an inventory write-down due to net realizable value of $103,136 and $308,937 respectively. During the year ended June 30, 2024 and 2023 the Company record an inventory write-down due to obsolescence of $208,737 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. There is no impairment loss during the years ended June 30, 2024 and 2023.

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.

Fair Value Measurements

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 credit losses.

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, 2024 and 2023 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, 2024, and June 30, 2023, 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, 2024, and 2023, the Company has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Company's 2024, 2023, 2022, and 2021 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 has 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. The Company has 694,017 pre-funded warrants included in the basic earnings (loss) per share. 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,	
	2024	**2023**
Options	674,473	102,642
Warrants	10,192,044	3,516,529
	10,866,517	3,619,171

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 Pharma segment and the BayMedica Commercial segment.

The InMed Pharma segment is largely organized around the research and development of small molecule pharmaceuticals drug candidates and the BayMedica Commercial segment is largely organized around manufacturing technologies to produce and commercialize bulk rare cannabinoids for sale as ingredients in the health and wellness industry (See Note 11).

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 nil.

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.

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which enhances reportable segment disclosure requirements primarily through expanded disclosures around significant segment expenses. The amendments are effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. The amendments should be applied retrospectively to all prior periods presented in the financial statements. The Company has early adopted this accounting pronouncement.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires disclosure of specific categories meeting a quantitative threshold within the income tax rate reconciliation, as well as disaggregation of income taxes paid by jurisdiction. This ASU, which can be applied either prospectively or retrospectively, is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of the ASU and expects to include updated income tax disclosures in its fiscal year 2026.

3. INVENTORIES

Inventories consisted of the following:

	June 30, 2024	**June 30, 2023**
	$	$
Raw materials	372,695	208,737
Work in process	30,817	514,113
Finished goods	840,812	893,506
Inventories	1,244,324	1,616,356

In determining any valuation allowances, the Company reviews inventory for obsolete, redundant, and slow-moving goods. During the year ended June 30, 2024 and 2023, the write-down of inventories to net realizable value was $9,614 and $308,937 respectively. Contributing factors to the decrease in net realizable value included lower demand and downward pricing pressure for certain products. As of June 30, 2024 and 2023, the Company has $103,434 and $93,820 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, 2024	**June 30, 2023**
	$	$
Right-of-Use Assets (leases)	2,135,811	1,167,436
Equipment	429,090	440,902
Furnishing	40,409	40,409
Property and equipment	2,605,310	1,648,747
Less: accumulated depreciation and amortization	(1,355,311)	(925,321)
Property, equipment and ROU assets, net	1,249,999	723,426

Depreciation expense on computer equipment, lab equipment and furnishing for the year ended June 30, 2024 and 2023, was $47,742 and $39,613 respectively and was recorded in general and administrative expenses. Amortization expense related to the right-of-use assets for the year ended June 30, 2024 and 2023, was $384,918 and $369,239 respectively and was recorded in general and administrative expenses.

5. INTANGIBLE ASSETS

The following table summarizes the Companies intangible assets:

	June 30, 2024	June 30, 2023
	$	$
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	(1,144,222)	(981,141)
Intangible assets, net	1,783,198	1,946,279

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, 2024, the definite-lived intangible assets had a weighted average estimated remaining useful life of approximately 11 years.

Amortization expense on intangible assets for the year ended June 30, 2024 and 2023 was $171,858 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	162,746
2025	162,746
2026	162,746
2027	162,746
2028	162,746
Thereafter	969,468
Total	1,783,198

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	June 30, 2024	June 30, 2023
	$	$
Trade payables	626,190	544,179
Accrued research and development expenses	242,066	164,587
Inventory related accruals	41,004	-
Employee compensation, benefits and related accruals	488,278	542,305
Accrued general and administrative expenses	256,473	357,664
Accounts payable and accrued liabilities	1,654,011	1,608,735

7. SHARE CAPITAL AND RESERVES

Authorized

As of June 30, 2024, 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, 2024 and 2023.

The Company may, from time to time, issue preferred shares and may, at the time of issuance, determine the rights, preferences 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.

On June 27, 2024, the Company entered into an amendment (the "ATM Amendment") to its At-the-Market Offering Agreement, dated April 7, 2022 (the "Original ATM Agreement" and together with the ATM Amendment, the "Amended ATM Agreement"), pursuant to which the Company may offer and sell shares of the Company's common shares, no par value per share (the "Common Shares"), from time to time, in "at the market" offerings through the Agent. The Original ATM Agreement was previously filed with the Securities and Exchange Commission on April 7, 2022 on the Company's Current Report on Form 8-K. The ATM Amendment amends the Original ATM Agreement to reflect, among other provisions, updates to certain sales settlement provisions and reimbursement terms, and to supplement the representations being made by the Company to the Agent.

On October 24, 2023, the Company entered into a securities purchase agreement (the "2023 Securities Purchase Agreement") with two accredited institutional investors (the "Accredited Institutional Investors") for the sale (the "2023 Private Placement") of 3,012,049 pre-funded warrants of the Company's common shares at a purchase price of $0.83 per share. The pre-funded warrants have an exercise price of $0.0001 and do not have an expiration date. The pre-funded warrants had a fair value of $1,248,376 at the time of issuance. As of June 30, 2024, there were 694,017 pre-funded warrants outstanding. In addition, the Company agreed, as part of the 2023 Private Placement, to issue to the purchasers unregistered preferred investment options to purchase up to an aggregate of 3,012,049 common shares. These preferred investment options have an exercise price of $0.83 and have a term of 5.5 years from issuance. The preferred investment options had a fair value of $1,251,449 at the time of their issuance.

Concurrently with the Company's entry into the 2023 Securities Purchase Agreement, the Company also entered into an inducement offer letter agreement (the "Inducement Offer Letter") with the holders of existing preferred investment options (the "Existing Holders") to purchase up to an aggregate of 3,272,733 common shares issued to the Existing Holders on November 21, 2022. Pursuant to the Inducement Offer Letter, the Existing Holders agreed to exercise for cash their existing preferred investment options to purchase an aggregate of 3,272,733 common shares (at a reduced exercise price of $0.83 per share) in consideration of the Company's agreement to issue new unregistered preferred investment options to purchase up to an aggregate of 6,545,466 shares of the Company's common shares at an exercise price of $0.83 per share). Due to ownership limitations, the Accredited Institutional Investors had 1,796,552 common shares held in abeyance as of the closing of the 2023 Private Placement. The abeyance shares had a fair value of $1,491,138 and the common shares issued had a fair value of $1,225,230 on their respective issuance date. As of June 30, 2024, the Accredited Institutional Investors had drawn down 1,796,552 abeyance shares.

The inducement contemplated by the Inducement Offer Letter (the "Inducement") is considered a warrant modification due to the changing of the terms of the warrants. The modification had a fair value of $3.5 million as of the date of the Inducement, using a Black-Scholes model and is recognized as an equity issuance cost in accordance with ASC 718-20-35-3.

On October 26, 2023, the parties consummated the 2023 Private Placement and the other transactions contemplated by the 2023 Securities Purchase Agreement. In connection with such transactions, the Company (i) received gross proceeds of approximately $5.2 million and paid approximately $560,000 in cash fees and (ii) issued 408,511 warrants to our placement agent. These warrants have an exercise price of $1.0375 and a term of 5.5 years. The placement agent warrants had a fair value of $325,699 as of the date of their issuance, using a Black-Scholes model and were recorded as an equity issuance cost.

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.

In connection with the September 13, 2022, private placement the company issued 1,382,490 warrants. These warrants 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. 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 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.

In connection with the November 21, 2022, private placement the company issued 3,272,733 warrants. These warrants 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 allocated value of these investment options was recorded in additional paid-in capital.

Common Share Warrants

The assumptions used in the Black-Scholes model to value the new warrants issued during the years ended June 30, 2024 and 2023, are set forth in the table immediately below.

		June 30, 2024
Exercise price	$	0.83 – 1.04
Risk-free interest rate		4.82%
Volatility		109 – 111%
Expected life (years)		5.0 – 5.5
Dividend yield	$	0%

		June 30, 2023
Exercise price	$	3.04 – 8.44
Risk-free interest rate		2.92 – 3.12%
Volatility		114 - 117%
Expected life (years)		7 Years
Dividend yield	$	0%

The assumptions used in the Black-Scholes model to value the modification of warrants issued during the year ended June 30, 2024, are set forth in the table immediately below.

	2024
Exercise price	$ 0.83 – 3.04
Risk-free interest rate	0.56 – 4.82%
Volatility	109 – 614%
Expected life (years)	0 – 6.8
Dividend yield	$ 0%

A summary of the Company's warrant activity and related information for the periods covered were as follows:

	Number of Shares Under Warrants	Weighted Average Exercise Price
Balance as at July 1, 2022	505,128	$ 31.92
Granted	4,818,336	4.69
Expired / Cancelled Exercised	(1,806,935)	10.75
Exercised	-	-
Balance as at June 30, 2023	3,516,529	$ 5.37
Warrants Granted	12,978,075	0.64
Exercised	(5,590,765)	0.49
Expire/Cancelled	(17,778)	18.50
Warrants Outstanding at June 30, 2024	10,886,061	$ 1.06
Warrants Exercisable at June 30, 2024	10,886,061	$ 1.06

As of June 30, 2024 and 2023, the warrants exercisable and outstanding have an intrinsic value of $184,539 and $0 respectively with a weighted average remaining life of 4 years and 6 years respectively.

8. SHARE-BASED PAYMENTS

a) Option Plan Details

On March 24, 2017, and as amended on November 20, 2020, the Company's shareholders approved: (i) the adoption of a new stock option plan (the "Plan") pursuant to which the Company's Board of Directors may, from time to time, in its discretion and in accordance with applicable 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 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. On December 19, 2023, the Company's Board of Directors approved the reservation of an additional 700,000 common shares under the Plan (which common shares were registered on the Company's Form S-8 previously filed with the SEC on December 22, 2023).

As of June 30, 2024 and 2023, there were 179,293 and 51,633 options, respectively, immediately available for future allocation pursuant to applicable regulatory requirements. The maximum number of options issuable under the terms of the Plan equates to 20% of the then issued and outstanding shares. 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.

On December 23, 2023, the Company issued 502,000 options to its employees and consultants pursuant to the Plan. The options have an exercise price of $0.37 with a term of 5 years. The options vest in equal installments monthly over three years.

On December 23, 2023, the Company additionally issued 28,400 options to members of the Company's Board of Directors pursuant to the Plan. The options have an exercise price of $0.37 with a term of five years. The options vest on the earlier of (i) December 23, 2024 or (ii) immediately prior to the next Annual General Meeting.

On February 20, 2024, the Company issued 50,000 options to its employees pursuant to the Plan. The options have an exercise price of $0.37 with a term of five years. The options vest in equal installments monthly over three years.

On August 10, 2022, the Company issued 560 options to a member of the Company's Board of Directors pursuant to the Plan. The options have an exercise price of $9.75 with a term of five years. The options vest 1 year from issuance.

On December 16, 2022, the Company issued 57,800 options to its employees and consultants pursuant to the Plan. The options have an exercise price of $1.32 with a term of 5 years. The options vest in equal installments monthly over three years.

On December 16, 2023, the Company additionally issued 3,360 options to members of the Company's Board of Directors pursuant to the Plan. The options have an exercise price of $1.32 with a term of five years. The options vest on the earlier of (i) December 16, 2023 or (ii) immediately prior to the next Annual General Meeting.

The assumptions used in the Black-Scholes model during the years ended June 30, 2024 and 2023, are set forth in the table immediately below:

	June 30, 2024
Exercise price	$ 0.37
Risk-free interest rate	3.95 - 4.30%
Volatility	116 - 203%
Expected life (years)	3.5 - 3.6
Dividend yield	$ 0%

	June 30, 2023
Exercise price	$1.78 – 9.75
Risk-free interest rate	3.37 - 3.77%
Volatility	92 - 125%
Expected life (years)	3.1 - 5
Dividend yield	$ 0%

The following is a summary of changes in outstanding options from July 1, 2022 to June 30, 2024:

	Number	Weighted Average Exercise Price
Balance as at July 1, 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
Granted	580,400	0.37
Expired/Forfeited	(8,569)	164.34
Balance as at June 30, 2024	674,473	$ 2.89
June 30, 2023:		
Vested and exercisable	51,067	$ 57.44
Unvested	51,575	$ 5.38
June 30, 2024:		
Vested and exercisable	112,920	$ 14.90
Unvested	561,553	$ 0.4

Total expenses arising from share-based payment transactions recognized during the years ended June 30, 2024 and 2023 were $137,714 and $278,154, respectively, of which $80,513 and $162,200, respectively, was allocated to general and administrative expenses, $56,408 and $115,954, respectively, was allocated to research and development expenses, and $793 and $0, respectively, was allocated to Cost of Goods sold.

Unrecognized compensation cost at June 30, 2024 related to unvested options was $107,586 which will be recognized over a weighted-average vesting period of approximately 1.38 years.

9. LEASE OBLIGATIONS

The Company is committed to minimum lease payments as follows:

Maturity Analysis	June 30, 2024
	$
Year 1	364,887
Year 2	366,753
Year 3	313,231
Year 4	-
Year 5	-
More than five years	-
Total undiscounted lease liabilities(1)	1,044,871
Less: imputed interest	(82,209)
Present value of lease liabilities	962,662
Less: Current portion of lease liabilities	(317,797)
Non-current portion of lease liabilities	(644,865)

In July 2019, InMed entered into a facility lease agreement for approximately 4,000 square feet of office space in Vancouver, BC, which served as our corporate headquarters until August 2024, when the lease expired. The Company did not take the option to renew for an additional three-year period. Subsequent to June 30 2024, the Company entered into a lease agreement for new office space. This office occupies approximately 2,243 square feet with a monthly basic rental rate and operating charges of an estimated C$12,296 for the two-year term of the agreement.

On October 5, 2023, BayMedica amended its lease located at 458 Carlton Court, Suite C, South San Francisco, California, in order to extend its lease to May 14, 2027. The Company is obligated to pay $1,295,759 over the three-year period unless terminated before the end of the period. The Company used an incremental borrowing rate of 6.15% and recognized a right-of-use asset and corresponding operating lease liability of $953,935.

10. 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:

	2024	2023
	$	$
US net loss before taxes	(1,756,965)	(1,212,372)
Canada net loss before tax	(5,911,485)	(6,735,250)
Net loss before taxes	(7,668,450)	(7,947,622)
Income tax expense (recovery) at the statutory rate	(1,966,981)	(2,073,116)
Increase (reduction) in income taxes resulting from:		
Change in valuation allowance	1,625,998	2,532,867
State taxes	(21,942)	9,638
Permanent differences	39,252	76,605
True up to the return	(303,595)	-
State Rate Change	2,949	-
Foreign exchange differences	618,907	417,194
Share issuance cost capitalized in equity	(123,415)	(553,877)
Other	135,927	(396,211)
Income tax expense (recovery)	7,100	13,100

As of June 30, 2024, the Company has non-capital loss carry-forwards of approximately $72,724,671 (June 30, 2023 - $67,875,659) available to offset future taxable income in Canada. These non-capital loss carryforwards begin to expire in 2026. As of June 30, 2024, the Company has US Federal net operating losses of $7,451,316 and state net operating losses of $3,689,190. 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:

	2024	2023
	$	$
Non-capital losses	21,501,476	19,490,270
Financing costs	861,867	1,265,542
Accrued expenses	12,831	11,638
Intangible assets, net	146,193	131,714
Tax credits	241,270	241,270
Lease liability	164,288	98,827
	22,927,925	21,239,261
Property and equipment, net	(116,231)	(119,889)
Lease obligations	(157,701)	(91,377)
	(273,932)	(211,266)
Net deferred tax asset	22,653,993	21,027,995
Valuation allowance	(22,653,993)	(21,027,995)
	-	-

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.

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 2021.

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

11. SEGMENT INFORMATION

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 and the senior management team, 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 Pharmaceuticals ('InMed Pharma') and BayMedica Commercial based on the information used by the CODM. As such, the pharmaceutical related research and development carried out at BayMedica is included with the InMed Pharma segment. 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 Pharma segment is largely organized around the research and development of small molecule pharmaceuticals drug candidates and the BayMedica Commercial segment is largely organized around manufacturing technologies to produce and commercialize bulk rare cannabinoids for sale as ingredients in the health and wellness industry. Total assets held in the InMed Pharma segment as of June 30, 2024 and 2023 are $9.2 million and $11.2 million, respectively. Total assets as of June 30, 2024 and 2023, held in the BayMedica segment are $2.6 million and $2.9 million, respectively.

The following table presents information about the Company's reportable segments for the year ended June 30, 2024 and 2023:

	Year Ended June 30,					
	2024			2023		
	InMed	BayMedica	**Total**	InMed	BayMedica	**Total**
	$	$	**$**	$	$	**$**
Sales	-	4,597,730	**4,597,730**	-	4,135,561	**4,135,561**
Cost of sales	-	(3,496,817)	**(3,496,817)**	-	(2,732,525)	**(2,732,525)**
Operating expenses	(8,400,411)	(896,853)	**(9,297,264)**	(8,824,275)	(1,005,723)	**(9,829,998)**
Other income (expense)	532,782	(4,881)	**527,901**	490,753	1,687	**492,440**
(Loss) income before income taxes	(7,867,629)	199,179	**(7,668,450)**	(8,333,522)	399,000	**(7,934,522)**
Unrestricted cash	5,669,113	902,497	**6,571,610**	8,036,714	875,803	**8,912,517**

12. COMMITMENTS AND CONTINGENCIES

Pursuant to the terms of agreements with various contract research organizations, as of June 30, 2024, the Company is committed for contract research services and materials at a cost of approximately $1.5 million, expected to occur in the twelve months following period.

Pursuant to the terms of agreements with various vendors, as of June 30, 2024, 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, 2024.

Pursuant to the terms of a certain Technology Assignment Agreement, dated as of May 31, 2017 (the "Technology 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 Technology Agreement. To date, no payments have been required to be made.

Pursuant to the terms of a certain Collaborative Research Agreement, dated as of December 13, 2018, between the Company and UBC, pursuant to 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 certain Contribution Agreement, dated as of November 1, 2018, between the Company and 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. As of June 30, 2024, there have been no triggering events to cause a repayment.

Short-term investments include guaranteed investment certificates, with one year terms, of $43,064 and $44,422 as of June 30, 2024 and 2023 respectively, that are pledged as security for a corporate credit card.

In addition to the foregoing, 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 may limit the Company's overall 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 certain Technology Licensing Agreement, dated as of March 11, 2021, between the Company and EyeCRO, 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 our Common Shares prior to each milestone achievement and the warrants will be exercisable for a period of three years from the issuance date. On May 10, 2024, the Company delivered a 90-day notice of termination to EyeCRO LLC with respect to the Technology Licensing Agreement, specifying an effective date of termination of August 8, 2024 (see Note 14 – *Subsequent Events).*

BayMedica entered into a patent license agreement ("Patent License Agreement") with a third party (the "Licensor") on February 15, 2021. The Company was required to begin making royalty payments to the Licensor based on net sales of licensed products in 2021 in order to maintain an exclusive license. In December 2021, the Company amended the Patent License Agreement, which amendment included the deferral of the 2021 minimum payments to 2022. As of June 30, 2023, the Company has paid $300,000 for the minimum payments due and payable under the Patent License Agreement. On February 10, 2023, BayMedica received a letter from the Licensor alleging a breach of the Patent License Agreement and asserting a right to monies due thereunder. On April 6, 2023, BayMedica sent a letter to the Licensor disputing the Licensor's interpretation of the Patent License Agreement and asserted that the counterparty's only remedy under the Patent License Agreement to be either (a) the conversion of an exclusive technology license into a non-exclusive license or (b) the termination of the Patent License Agreement.

On July 18, 2024, BayMedica received a letter from the Licensor alleging breach of the Patent License Agreement and asserting monies due thereunder. On August 7, 2024, BayMedica responded asserting that the counterparty's interpretation of the Agreement is incorrect again and that BayMedica does not owe any funds under the Agreement.

To date, the Licensor has not initiated a lawsuit with respect to the foregoing matters. If a lawsuit is ultimately brought alleging a breach of the Patent License 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 ultimate outcome of any proceeding (including the interpretation by the arbitrator with respect to applicable requirements under Ontario law regarding contract formation).

13. 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"). During the years ended June 30, 2024 and 2023, NRF rendered legal services in the amount of $226,793 and $634,208, respectively, 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 provided by Ms. Grove directly.

14. 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 matters described below.

On September 17, 2024, the Company received a notification (the "Delisting Notice") from the Nasdaq Listing Qualifications Department stating that due to the deficiency in the Company's compliance with Listing Rule 5550(a)(2) which required the Company to maintain a bid price of its listed securities over $1 for 30 consecutive days, the Company's securities would be delisted from Nasdaq on September 26, 2024, unless the Company appealed Nasdaq's determination to a Hearings Panel (the "Panel"). A hearing request will stay the suspension of the Company's securities pending the Panel's discussion. On September 17, 2024, the Company submitted the hearing request to appeal (the "Appeal Request") Nasdaq's determination before the Panel. The hearing will take place on October 31, 2024 and it is anticipated that the Panel's decision will follow shortly thereafter. The pendency of the Appeal Request does not have an immediate effect on the listing of our Common Shares and our Common Shares will continue to trade on Nasdaq under the symbol "INM". While the Company has filed the Appeal Request, there can be no assurances, however, that we will be successful in regaining compliance with the continued listing requirements and maintaining the listing of our Common Shares on Nasdaq. Delisting from Nasdaq could materially and adversely affect our ability to raise additional financing through the public or private sale of equity securities, would significantly affect the ability of investors to trade our securities and would negatively affect the value and liquidity of our securities, including our Common Shares. *See* Item 1A. *"Risk Factors*" of this Annual Report, including the risk that "*any actual or threatened delisting of our securities by Nasdaq could have a material and adverse effect on our business, operations and financial condition, and could, among other things, limit investors' ability to make transactions in our securities and subject us to additional trading restrictions*," for further information regarding the risks pertaining to the Delisting Notice and the Appeal Request.

Refer to *note 9 – Lease Obligations* with reference to a new lease agreement.

Refer to *note 12 - Commitments and Contingencies* with reference to the Patent License Agreement.

Under the Amended ATM Agreement, the Company issued 3,727,272 Common Shares for gross proceeds of $1,030,000 during the period of July 11, 2024 through July 29, 2024.