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

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 13, 2021

INMED PHARMACEUTICALS INC.
(Exact Name of Company as Specified in Charter)

British Columbia	001-39685	98-1428279
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

InMed Pharmaceuticals Inc. Suite 310 - 815 W. Hastings Street, Vancouver, B.C. Canada	V6C 1B4
(Address of Principal Executive Offices)	**(Zip Code)**

Company's telephone number, including area code: (604) 669-7207
Not applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company ☒

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

Item 8.01. Other Events

This Current Report on Form 8-K/A is being filed as an amendment to the Current Report on Form 8-K filed by InMed Pharmaceuticals Inc. ("InMed" or the "Company") with the Securities and Exchange Commission ("SEC") on October 13, 2021.

This Form 8-K/A is being filed by the Company in order to provide (i) the historical audited financial statements of BayMedica for the year ended December 31, 2020, included as Exhibit 99.1, (ii) the historical unaudited financial statements of BayMedica for the nine-month period ended September 30, 2021, included as Exhibit 99.2, (iii) certain unaudited pro forma condensed combined financial information, included as Exhibit 99.3 (the "Unaudited Pro Forma Financial Information"), with respect to the Company's acquisition of BayMedica, Inc. ("BayMedica"), as previously announced in a Current Report on Form 8-K filed on October 13, 2021, and (iv) the consent of BayMedica's independent auditor, included as Exhibit 23.1.

As previously announced in the Form 8-K filed on October 13, 2021, on October 13, 2021, the Company and BayMedica, LLC, formerly InMed LLC ("Merger Sub"), the Company's wholly-owned subsidiary, entered into an amended and restated agreement and plan of reorganization (the "Amended Agreement") with BayMedica, BM REP, LLC, as the stockholder representative, and certain BayMedica stockholders, pursuant to which the Company acquired all of BayMedica's outstanding shares of common stock (the "Merger"). The Amended Agreement amended and restated the previously reported agreement and plan of reorganization, dated as of September 10, 2021, by and among the Company, Merger Sub, BayMedica, BM REP, LLC, as the stockholder representative, and certain BayMedica stockholders, in its entirety (the "Original Agreement").

Pursuant to the Amended Agreement, InMed issued 2,050,000 common shares (the "Stock Consideration") to BayMedica's equity and convertible debt holders and $1,000,000 in cash (the "Cash Consideration"). The Cash Consideration is being held in escrow by the Company and is subject to reduction for certain post-closing adjustments or satisfaction of indemnification claims under the Amended Agreement. The Amended Agreement contained representations, warranties, covenants and indemnities by the parties customary for transactions of this type.

The Company has agreed to file a resale registration statement under the Securities Act of 1933, as amended (the "Securities Act"), to permit the public resale of InMed common shares issued pursuant to the Amended Agreement no later than 120 days following the closing of the Merger.

The foregoing summary of the Amended Agreement is qualified in its entirety by reference to the Amended Agreement, a copy of which was filed with the Form 8-K on October 13, 2021, and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

On October 13, 2021, the Company closed the acquisition of BayMedica pursuant to the Amended Agreement and BayMedica was merged with and into Merger Sub, with Merger Sub continuing as the surviving company.

Upon the closing of the Merger, all of the outstanding shares of capital stock of BayMedica were cancelled and the BayMedica stockholders were entitled to receive (1) the Stock Consideration, and (2) the Cash Consideration.

BayMedica, Inc.'s historical audited financial statements and accompanying notes included for the year ended December 31, 2020, and the historical unaudited financial statements of BayMedica and accompanying notes for the nine-month period ended September 30, 2021, are incorporated by reference as Exhibits 99.1 and 99.2, respectively, hereto.

The pro forma financial information included in this Current Report on Form 8-K/A as Exhibit 99.3 has been presented for informational purposes only and is not necessarily indicative of the combined financial position or results of operations that would have been realized had the Merger occurred as of the dates indicated, nor is it meant to be indicative of any anticipated combined financial position or future results of operations that InMed will experience after the Merger.

(d) Exhibits:

Exhibit No.	Description
2.1 *	Amended and Restated Agreement and Plan of Reorganization, dated as of October 13, 2021, by and among InMed Pharmaceuticals Inc., BayMedica, LLC, BayMedica, Inc., BM REP, LLC, as the stockholder representative, and certain BayMedica stockholders thereto (incorporated by reference to Exhibit 2.1 to the Form 8-K filed on October 13, 2021).
23.1	Consent of Horne LLP.
99.1	Audited financial statements of BayMedica, Inc. for the year ended December 31, 2020.
99.2	Unaudited financial statements of BayMedica, Inc. for the nine months ended September 30, 2021.
99.3	Unaudited pro forma condensed combined financial information of InMed Pharmaceuticals Inc.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and included as Exhibit 101).

* Previously filed

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

INMED PHARMACEUTICALS INC.

Date: December 21, 2021

By: /s/ Bruce Colwill

Bruce Colwill
Chief Financial Officer

Exhibit 23.1

Consent of Independent Auditor

We consent to the incorporation by reference in the Registration Statement (Nos. 333-260323 and 333-253912) on Form S-8 of InMed Pharmaceuticals, Inc. of our report dated December 21, 2021, relating to the financial statements of BayMedica, Inc., appearing in this Current Report on Form 8-K/A.

/s/ HORNE LLP

Ridgeland, Mississippi
December 21, 2021

BayMedica, Inc.
AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020
AND
INDEPENDENT AUDITORS' REPORT

BayMedica, Inc.
(Expressed in U.S. Dollars)
For the Year Ended December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
BayMedica, Inc.
Incline Village, NV

Board of Directors
BayMedica, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of BayMedica, Inc. (the "Company"), which comprise the balance sheet as of December 31, 2020, the related statement of operations, statement of shareholders' deficit and cash flows for the year then ended, and the related notes to the financial statements (collectively, the "financial statements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BayMedica, Inc. as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern The accompanying financial statements have been prepared assuming that BayMedica, Inc. will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations, has a net capital deficiency, and has stated that substantial doubt exists about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding 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. Our opinion is not modified with respect to this matter.

/s/ Horne LLP

Ridgeland, Mississippi
December 21, 2021

BayMedica, Inc.
Balance Sheet
December 31, 2020

		December 31, 2020
ASSETS		
Current assets:		
Cash	$	54,911
Accounts receivable, net		3,925
Inventories		103,446
Prepaid expenses		20,845
Total current assets		183,127
Non-current assets:		
Property and equipment, net		147,896
Other assets		100,000
Total non-current assets		247,896
TOTAL ASSETS	**$**	**431,023**
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Liabilities		
Current liabilities:		
Accounts payable	$	307,529
Short-term debt		2,764,570
Accrued expenses and other liabilities		393,339
Deferred revenue		25,000
Total current liabilities		3,490,438
Non-current liabilities:		
Long-term debt		159,833
Total non-current liabilities		159,833
Total Liabilities		3,650,271
Commitments and contingencies (Note 8)		
Shareholders' Deficit		
Common stock $.001 par value; authorized 70 million shares; 9.3 million issued and outstanding at December 31, 2020		9,303
Paid-in capital		70,168
Accumulated deficit		(3,298,719)
Total Shareholders' Deficit		(3,219,248)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	**$**	**431,023**

The accompanying notes are an integral part of these financial statements

BayMedica, Inc.
Statement of Operations
For the Year Ended December 31, 2020

		December 31, 2020
Net sales	$	720,849
Cost of sales		147,977
Gross profit		572,872
Operating expenses		
Research and development		1,087,551
General and administrative		274,667
Depreciation		17,878
Loss from operations		(807,224)
Other income (expense):		
Interest expense, net		(109,139)
Foreign exchange (loss)		(213)
Other income, net		1,093
Total other expense		(108,259)
Loss before income taxes		(915,483)
Income tax expense		(1,460)
Net loss	**$**	**(916,943)**

The accompanying notes are an integral part of these financial statements

BayMedica, Inc.
Statement of Shareholders' Deficit
For the Year Ended December 31, 2020

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Accumulated Deficit	Total
Balance at December 31, 2019	**9,290,000**	**$ 9,290**	**$ 24,121**	**$ (2,381,776)**	**$ (2,348,365)**
Net loss	-	-	-	(916,943)	(916,943)
Employee option plans	13,333	13	786	-	799
Stock-based compensation	-	-	45,261	-	45,261
Balance at December 31, 2020	**9,303,333**	**$ 9,303**	**$ 70,168**	**$ (3,298,719)**	**$ (3,219,248)**

The accompanying notes are an integral part of these financial statements

BayMedica, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2020

	December 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	$ (916,943)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	17,878
Stock compensation expense	45,261
Non-cash interest	107,072
Other	20,000
Change in operating assets and liabilities:	
Accounts receivable	210,700
Inventories	(99,107)
Prepaid expenses	12,168
Accounts payable	99,685
Accrued expenses and other liabilities	15,314
Net cash used in operating activities	(487,972)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from debt	439,403
Proceeds from exercise of options and issuance of stock	799
Net cash provided by financing activities	440,202
CHANGE IN CASH	
Net decrease in cash	(47,770)
Cash at beginning of period	102,681
CASH AT END OF PERIOD	**$ 54,911**
SUPPLEMENTAL CASH FLOW INFORMATION	
Cash paid for:	
Interest expense	$ 2,069
Income taxes	1,460

The accompanying notes are an integral part of these financial statements

Note 1 NATURE OF BUSINESS

BayMedica, Inc. (the "Company") was incorporated in Nevada on September 16, 2016. The Company specializes in the manufacturing and commercialization of rare cannabinoids for the health and wellness sector. The majority of the Company's sales are to customers located in the United States.

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 financial statements are issued.

Through December 31, 2020, the Company has funded its operations primarily with proceeds from the sale of convertible debt. The Company has incurred recurring losses and negative cash flows from operations since its inception, including a net loss of $916,943for the year ended December 31, 2020. In addition, the Company had an accumulated deficit of approximately $3.2 million as of December 31, 2020. The Company expects to continue to generate operating losses for the foreseeable future.

The Company does not expect that its cash and cash equivalents will be sufficient to fund its operating expenses and capital expenditure requirements for greater than 12 months from the date of issuance of these financial statements. Prior to the issuance date of these financial statements, the Company merged with BayMedica, LLC, an indirect wholly-owned subsidiary of InMed Pharmaceuticals Inc. ("InMed"), (the "Merger"). The future viability of the Company beyond that point is dependent on InMed's ability to fund the Company's operations. As a result, the Company concluded that there is substantial doubt about its ability to continue as a going concern within one year after the date that the financial statements are issued. These 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 financial statements do not reflect adjustments to the carrying value 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.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP").

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts 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 judgement or complexity, or areas where assumptions and estimates are significant to these financial statements are the estimate of useful life of intangible assets, the application of the going concern assumption, the impairment assessment for long-live assets, and determining the fair value of share-based payments.

Risks and Uncertainties

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The full extent to which the COVID-19 pandemic may directly or indirectly impact the Company's business, results of operations and financial condition, including expenses, research and development costs and employee-related amounts, will depend on future developments that are evolving and highly uncertain, such as the duration and severity of outbreaks, including potential future waves or cycles, and the effectiveness of actions taken to contain and treat COVID-19. The Company considered the potential impact of COVID-19 when making certain estimates and judgments relating to the preparation of these financial statements. 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 financial statements in future reporting periods.

Cash

Cash includes cash on hand and deposits with financial institutions. The Federal Deposit Insurance Corporation ("FDIC") insures up to $250,000 on many standard transaction accounts, such as checking and savings accounts. At December 31, 2020, no cash held at institutions was in excess of the FDIC insurance limit.

Accounts Receivable

Accounts receivable primarily consist of trade receivables from customers. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2020, no amounts had been charged to the valuation allowance.

Inventories

Inventories, consisting primarily of finished goods, are initially valued at weighted average cost and subsequently valued at the lower of weighted average cost and net realizable value. In determining any valuation allowances, the Company reviews inventory for obsolete, redundant, and slow-moving goods. At December 31, 2020, no amounts had been charged to the valuation allowance.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed for assets placed in service using the straight-line method over the estimated useful life of the asset. When assets are retired or sold, the cost and related allowance for depreciation is eliminated from the respective accounts, and any resulting gain or loss is reflected in operations.

Estimated Useful Lives

Machinery and equipment	10 years

Maintenance, repairs, and renewals, which neither materially add to the value of property nor appreciably prolong its useful life, are expensed as incurred.

Impairment of long-lived assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The evaluation of long-lived assets is performed at the lowest level of identifiable cash flows. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset (or asset group) to future net cash flows expected to be generated by the asset (or asset group). If an asset (or asset group) is considered to be impaired, the loss recognized is measured by the amount by which the carrying amount of the asset (or asset group) exceeds the fair value of the asset (or asset group). No impairment was recognized for the year ended December 31, 2020.

Revenue Recognition

The Company recognizes revenue at an amount that reflects the consideration to which the Company expects to be entitled when its performance obligations are satisfied by transferring control of promised goods or services to the customer. ASC 606 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 when control over the products have been transferred to the customer. Goods are considered transferred to the customer once they have been shipped and title and risk of loss have been transferred. Discounts and allowances provided to customers are recognized as a reduction in Net sales as control of the products is transferred to customers. Sales and other taxes that are required to be remitted to regulatory authorities are recorded as liabilities and excluded from Net 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. The time between invoicing and when payment is due is not significant.

Revenue is reported on the gross amount billed to a customer less sales and other taxes, if any. The Company records deferred revenue when it receives payments in advance of the delivery of products or the performance of services.

Cost of Sales

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

Operating Expenses

General and administrative expenses include salaries and wages, employee benefits, selling, occupancy, insurance, share-based compensation, and other administrative expenses.

Share-based compensation plans

Share-based compensation is measured at fair value at the grant date. The Company grants stock options to the Company's officers and employees. The vesting components of graded vesting employee awards are measured separately and expensed over the related tranche's vesting period. The corresponding accrued entitlement is recorded in Additional paid-in capital. Forfeitures are accounted for when they occur. See Note 7, Share-Based Awards, for further discussion.

Income Taxes

The Company files federal and state tax returns. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due or refundable plus deferred taxes. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will be either taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Recent Accounting Pronouncements

Accounting Standards Updates Adopted

In May 2014, the FASB issued ASU 2014-19, Revenue from Contracts with Customers (Topic 606). Subsequently, the FASB issued additional ASUs, which further clarified this guidance. This ASU provides a single principles-based revenue recognition model with a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted this new accounting guidance on January 1, 2020 using the modified retrospective transition approach for all contracts and the adoption did not have a material impact on the Company's results of operations. The adoption did not result in a cumulative transition adjustment as there was no change to the timing of when these costs were recognized.

Accounting Standards Updates to Become Effective in Future Periods

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes Topic 840, Leases. Subsequently, the FASB issued additional ASUs which further clarify this guidance. This ASU increases the transparency and comparability of organizations by requiring the capitalization of substantially all leases on the balance sheet and disclosures of key information about leasing arrangements. The updates are effective for fiscal years beginning after December 15, 2022. Management is evaluating the impact of this update on the Company's financial statements.

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments (Topic 326), which amends the Board's guidance on the impairment of financial instruments. Subsequently, the FASB issued additional ASUs which further clarify this guidance. The ASU adds to US GAAP an impairment model that is based on expected losses rather than incurred losses, which is known as the CECL model. The CECL model applies to most debt instruments (other than those measured at fair value), trade and other receivables, financial guarantee contracts, and loan commitments. This ASU is effective for fiscal years beginning after December 15, 2022. Management is evaluating the impact of this update on the Company's financial statements.

In December 2019, the FASB issued AS 2019-12, Simplifying the Accounting for Income Taxes (Topic 740), which removes certain exceptions to the general principles in Topic 740 and improves consistent application of and simplifies US GAAP for other areas of Topic 740 by clarifying and amending existing guidance. This ASU is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. Management is evaluating the impact of this update on the Company's financial statements.

In August 2020, the FASB issued ASU 2020-06, Debt-Debit with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in an Entity's Own Equity (Subtopic 815-40), which will simplify the accounting for convertible instruments by reducing the number of accounting models for convertible debt instruments and convertible preferred stock. Limiting the accounting models will result in fewer embedded conversion features being separately recognized from the host contract as compared with current GAAP. Convertible instruments that continue to be subject to separation models are (1) those with embedded conversion features that are not clearly and closely related to the host contract, that meet the definition of a derivative, and that do not qualify for a scope exception from derivative accounting and (2) convertible debt instruments issued with substantial premiums for which the premiums are recorded as additional paid-in capital. ASU 2020-06 also amends the guidance for the derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusions. This ASU is effective for fiscal years beginning after December 15, 2023, with early adoption permitted for fiscal years beginning after December 15, 2020. Management is evaluating the impact of this update on the Company's financial statements.

Note 3 CUSTOMER CONCENTRATION

The Company had four customers during the year ended December 31, 2020 which individually generated 10% or more of the Company's net sales. These customers accounted for 68% of the Company's Net sales. As of December 31, 2020, these customers represented 15% of the Company's outstanding accounts receivable.

Note 4 PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at December 31, 2020:

	2020
Machinery and equipment	$ 178,784
Accumulated depreciation	(30,888)
Property and equipment, net	**$ 147,896**

Depreciation expense was $17,878 for the year ended December 31, 2020.

Note 5 DEBT

The Company's debt consisted of the following at December 31, 2020:

	2020
Convertible notes payable	$ 2,632,500
Economic Injury Disaster Loan	134,100
Paycheck Protection Program (PPP)	115,800
Working capital loan	42,003
Total dept, including current portion	2,924,403
Less: Current portion	(2,764,570)
Long-term dept	**$ 159,833**

At December 31, 2020, the future maturities of debt consisted of the following:

	Amount
2021	$ 2,764,570
2022	28,463
2023	2,834
2024	2,942
2025	3,054
Thereafter	122,540
	$ 2,924,403

Convertible Notes Payable

From February 2017 to March 2020 the Company entered into convertible note agreements with an aggregate principal value of approximately $2.6 million. The convertible notes, bearing interest of 4% per annum, mature on December 31, 2021 with principal and interest due at maturity if not previously converted.

All convertible notes were converted to common stock in connection with the Merger. The convertible notes contained an embedded derivative feature that could accelerate repayment of the convertible notes upon a qualified financing event. Management determined, at issuance, the occurrence of a qualified financing event was within its control. Accordingly, the convertible notes were accounted for as traditional debt with interest accruing to the maturity date.

Economic Injury Disaster Loan

On June 10, 2020, the Company secured a loan offered by the U.S. Small Business Administration ("SBA") under its Economic Injury Disaster Loan assistance program ("EIDL") in light of the impact of the COVID-19 pandemic on the Company's business. The principal amount of the loan was $134,100 and interest accrued at the rate of 3.75%. Installment payments, including principal and interest, are due monthly beginning twelve months from the date of the EIDL loan in the amount of $615. The balance of principal and interest is payable thirty years form the date of the promissory note.

Paycheck Protection Program

On April 14, 2020, the Company received loan proceeds in the amount of $115,800 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. As of December 31, 2020, the outstanding balance of the PPP loan was $115,800, of which $90,067 is included in Short-term debt in the balance sheet.

Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Company used the proceeds for purposes consistent with the PPP.

Working Capital Loan

The Company entered into a program with American Express Company whereby the Company can request short-term commercial loans to be paid directly to eligible vendors. These loans are general unsecured obligations of the Company and bear a 12% interest rate. The terms of the program are subject to change from time to time.

Note 6 SHARE-BASED AWARDS

As of December 31, 2020, the Company has stock options under the 2018 Stock Plan. The terms of each share-based award will be determined by the Board of Directors. As of December 31, 2020, the Company has 1,056,667 shares authorized and available for grant under the 2018 Stock Plan.

For the year ending December 31, 2020, 45,261 of share-based compensation expense was recorded in general and administration. As of December 31, 2020, there was $29,025 of total unrecognized compensation cost related to stock option awards outstanding. . The cost is expected to be recognized over a weighted average period of 1.3 years.

The fair value of stock option awards was determined using a Black-Scholes option pricing model as of the grant date. Expected volatilities are based on historical stock price movements of comparable companies, as the Company’s stock is not publicly traded. The Company accounts for forfeitures of awards at the time they become known. The expected term of options was set to their contractual term. The risk-free rate for periods within the contractual life of the award is based on the U.S. Treasury yield curve in effect at the grant date.

	2020
Expected volatility	91%-93%
Expected dividends	0%
Expected term (in years)	10.0
Risk-free rate	0.7%-0.8%

Stock options vest over 12 or 48 months in monthly installments, and in some cases with a one year cliff, depending on the terms of the award. The award holder will receive common shares upon exercise.

The following summary presents information regarding stock options as of December 31, 2020 and changes during the year then ended:

	Number of shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)
Outstanding at beginning of year	555,000	$ 0.06	
Granted	725,000	0.06	
Exercised	(13,333)	0.06	
Forfeited	(26,667)	0.06	
Outstanding at end of year	1,240,000	0.06	8.8
Exercisable at end of year	748,850	$ 0.06	8.8

A summary of the Company's non-vested stock option activity and related information for the year ended December 31, 2020 is as follows:

	Number of Shares	Weighted Average Grant-Date Fair Value
Non-vested at December 31, 2019	395,835	$ 0.06
Granted	725,000	0.06
Vested	(603,018)	0.06
Forfeited	(26,667)	0.06
Non-vested at December 31, 2020	491,150	$ 0.06

Note 7 LEASES

The Company leases office and laboratory space under an operating lease that matures through 2024. Renewal options exist. Total rent expense was $297,972 for the year ended December 31, 2020.

The following table is a summary of the future minimum lease payments as of December 31, 2020:

	Operating
2021	$ 321,870
2022	331,527
2023	341,475
2024	85,995
	$ 1,080,867

Note 8 COMMITMENTS AND CONTINGENCIES

The Company is a party to a variety of contractual agreements under which it may be obligated to indemnify the other party for certain matters in the ordinary course of business, which indemnities may be secured by operation of law or otherwise. These agreements primarily relate to the Company's commercial contracts, service agreements, operating leases and other real estate contracts, financial agreements, and agreements to indemnify officers, directors, and employees in the performance of their work. While the Company's aggregate indemnification obligations could result in a material liability, the Company is not aware of any matters that are expected to result in a material liability. No amount has been recorded in the Balance Sheet for these contingent obligations.

The Company's operations are subject to a variety of state and local regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on operations, or losses of permits that could result in the Company ceasing operations. While management believes that the Company is in substantial compliance with applicable local and state regulations as of December 31, 2020, regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

The Company entered into a patent license agreement with a third party (the "Technology Licensor") in an agreement dated February 15, 2021 that formalized the terms sheet entered into in December 2020. As per the agreement, an upfront patent license fee of $150,000 was due to be paid to the Technology Licensor. This license fee was payable in installments based on agreed upon milestones. Of this amount, the Company paid $20,000 through December 31, 2020. The remaining upfront fees were contingent on the signing of a definitive agreement and validation by the Company of the licensed processes for commercial-scale manufacturing of the licensed products.. As of December 31, 2020, management determined that it was reasonably possible the remaining future upfront payments would be made, but did not accrue for them as they were not probable. The Company is also required to make future royalty payments to the Technology Licensor based on net sales of licensed products, with minimum payments required starting in 2021.

Note 9 INCOME TAXES

The Company's deferred income tax assets are primarily the result of temporary differences in intangible assets, net operating losses, and research and development credits for book and tax purposes. The Company's deferred income tax liabilities are primarily the result of differences in depreciation for book and tax purposes. A valuation allowance was established for deferred tax assets that the Company has estimated may not be realizable. The components of deferred tax assets and liabilities are as follows:

		2020
Deferred tax assets		
Net operating loss	$	474,079
Intangible assets		383,044
Research and development credits		184,248
Accrued interest		60,501
Accrued other		17,748
Gross deferred tax assets		1,119,620
Valuation allowance		(1,102,058)
Net deferred tax assets		17,562
Deferred tax liabilities		
Property and equipment, net		(17,562)
Net deferred tax liabilities		(17,562)
TOTAL NET DEFERRED TAX ASSETS	$	

The effective income tax rate for the year ended December 31, 2020 differs from the statutory federal rate primarily due to changes in the valuation allowance.

The components of net deferred income tax expense for income taxes for the year ended December 31, 2020 is as follows:

		2020
Current tax expense	$	1,460
Deferred tax expense		-
Total tax expense	$	**1,460**

Note 10 RELATED PARTIES

The Company owed $422,500 of convertible notes payable to shareholders and related parties at December 31, 2020. The Company had accrued $38,677 of interest on these convertible notes payable at December 31, 2020.

Note 11 SUBSEQUENT EVENTS

The Company has evaluated subsequent events after the balance sheet date for appropriate accounting and disclosure through December 21, 2021, the date on which the financial statements were available to be issued.

Subsequent to December 31, 2020, the Company entered a definitive agreement with Technology Licensor and paid an additional $30,000.

In May 2021, the Company received notification from the SBA that the PPP loan, including accrued interest, had been fully forgiven.

The Company issued secured notes payable to InMed for $250,000 and $175,000 on September 25, 2021 and October 3, 2021, respectively.

On October 13, 2021, the Company merged with BayMedica, LLC as part of InMed's acquisition of the Company. In conjunction with this transaction, the convertible notes payable and related accrued interest were converted into common shares of the Company immediately prior to closing and the EIDL loan was repaid in full upon closing.

BayMedica, Inc.
UNAUDITED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2021

BayMedica, Inc.
(Expressed in U.S. Dollars)
As of September 30, 2021 and December 31, 2020
and for the Nine Months Ended September 30, 2021 and 2020

CONTENTS

BayMedica, Inc.
Condensed Balance Sheets (unaudited)
September 30, 2021 and December 31, 2020

	September 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash	$ 44,461	$ 54,911
Accounts receivable, net	38,800	3,925
Inventories	487,175	103,446
Prepaid expenses	19,746	20,845
Total current assets	590,182	183,127
Non-current assets:		
Property and equipment, net	134,488	147,896
Other assets	100,550	100,000
Total non-current assets	235,038	247,896
TOTAL ASSETS	**$ 825,220**	**$ 431,023**
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Liabilities		
Current liabilities:		
Accounts payable	$ 437,482	$ 307,529
Short-term debt	2,839,849	2,764,570
Accrued expenses and other liabilities	657,763	393,339
Deferred revenue	8,390	25,000
Total current liabilities	3,943,484	3,490,438
Non-current liabilities:		
Long-term debt	343,248	159,833
Total non-current liabilities	343,248	159,833
Total Liabilities	4,286,732	3,650,271
Commitments and contingencies (Note 9)		
Shareholders' Deficit		
Common stock $.001 par value; authorized 70 million shares; issued and outstanding 9.3 million at September 30, 2021 and 9.3 million at December 31, 2020	9,303	9,303
Paid-in capital	77,769	70,168
Accumulated deficit	(3,548,584)	(3,298,719)
Total Shareholders' Deficit	(3,461,512)	(3,219,248)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	**$ 825,220**	**$ 431,023**

The accompanying notes are an integral part of these condensed financial statements

BayMedica, Inc.
Condensed Statements of Operations (unaudited)
For the Nine Months Ended September 30, 2021 and 2020

	September 30, 2021	September 30, 2020
Net sales	$ 1,659,263	$ 419,059
Cost of sales	448,406	85,736
Gross profit	1,210,857	333,323
Operating expenses		
Research and development	1,134,393	775,676
General and administrative	524,965	159,732
Depreciation	13,409	13,409
Loss from operations	(461,910)	(615,494)
Other income (expense):		
Interest expense, net	(102,184)	(80,224)
Foreign exchange (loss)	-	(193)
Other income (expense)	315,650	(99,143)
Total other expense	213,466	(179,560)
Loss before income tax expense	(248,444)	(795,054)
Income tax expense	(1,421)	(1,460)
Net loss	**$ (249,865)**	**$ (796,514)**

The accompanying notes are an integral part of these condensed financial statements

BayMedica, Inc.
Condensed Statements of Shareholders' Deficit (unaudited)
For the Nine Months Ended September 30, 2021 and 2020

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Accumulated Deficit	Total
Balance at December 31, 2019	**9,290,000**	**$ 9,290**	**$ 24,121**	**$ (2,381,776)**	**$ (2,348,365)**
Net loss	-	-	-	(796,514)	(796,514)
Stock-based compensation	-	-	37,543	-	37,543
Balance at September 30, 2020	**9,290,000**	**$ 9,290**	**$ 61,664**	**$ (3,178,290)**	**$ (3,107,336)**
Net loss	-	-	-	(370,294)	(370,294)
Employee option plans	13,333	13	786	-	799
Stock-based compensation	-	-	15,319	-	15,319
Balance at September 30, 2021	**9,303,333**	**$ 9,303**	**$ 77,769**	**$ (3,548,584)**	**$ (3,461,512)**

The accompanying notes are an integral part of these condensed financial statements

BayMedica, Inc.
Condensed Statements of Cash Flows (unaudited)
For the Nine Months Ended September 30, 2021 and 2020

	September 30, 2021	September 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (249,865)	$ (796,514)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	13,409	13,409
Stock compensation expense	7,601	37,543
Forgiveness of Paycheck Protection Program loans	(239,470)	-
Non-cash interest	85,024	79,453
Change in operating assets and liabilities:		
Accounts receivable	(34,875)	199,850
Inventories	(383,729)	(162,191)
Prepaid expenses	1,099	21,934
Accounts payable	129,953	190,080
Accrued expenses and other liabilities	165,424	(106,176)
Other non-current assets and liabilities	(550)	100,000
Net cash used in operating activities	(505,979)	(422,612)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from debt	908,547	397,400
Repayments of debt	(413,018)	-
Net cash provided by financing activities	495,529	397,400
CHANGE IN CASH		
Net decrease in cash	(10,450)	(25,212)
Cash at beginning of period	54,911	102,681
CASH AT END OF PERIOD	**$ 44,461**	**$ 77,469**
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for:		
Interest	$ 16,959	$ 771
Income taxes	1,421	1,460

The accompanying notes are an integral part of these condensed financial statements

BayMedica, Inc.
Notes to the Condensed Financial Statements (unaudited)
As of September 30, 2021 and December 31, 2020
and for the Nine Months Ended September 30, 2021 and 2020

Note 1 NATURE OF BUSINESS

BayMedica, Inc. (the “Company”) was incorporated in Nevada on September 16, 2016. The Company specializes in the manufacturing and commercialization of rare cannabinoids for the health and wellness sector.

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 financial statements are issued.

Through September 30, 2021, the Company has funded its operations primarily with proceeds from the sale of convertible debt. The Company has incurred recurring losses and negative cash flows from operations since its inception, including a net loss of $249,865 for the nine months ended September 30, 2021. In addition, the Company had an accumulated deficit of $3.5 million as of September 30, 2021. The Company expects to continue to generate operating losses for the foreseeable future.

The Company does not expect that its cash and cash equivalents will be sufficient to fund its operating expenses and capital expenditure requirements for greater than 12 months from the date of issuance of these financial statements. Prior to the issuance date of these financial statements, the Company merged with BayMedica, LLC, an indirect wholly owned subsidiary of InMed Pharmaceuticals Inc. (“InMed”), (the “Merger”). The future viability of the Company beyond that point is dependent on InMed’s ability to fund the Company’s operations. As a result, the Company concluded that there is substantial doubt about its ability to continue as a going concern within one year after the date that the financial statements are issued. These 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 financial statements do not reflect adjustments to the carrying value 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.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These unaudited condensed interim financial statements were prepared using the same accounting policies and methods as those used in the Company’s audited financial statements for the year ended December 31, 2020. The Company’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“US GAAP”). Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with US GAAP have been omitted or condensed. These financial statements should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2020. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

Management Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts 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 judgement or complexity, or areas where assumptions and estimates are significant to these financial statements are the estimate of useful life of intangible assets, the application of the going concern assumption, the impairment assessment for long-live assets, and determining the fair value of share-based payments.

Risks and Uncertainties

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The full extent to which the COVID-19 pandemic may directly or indirectly impact the Company's business, results of operations and financial condition, including expenses, research and development costs and employee-related amounts, will depend on future developments that are evolving and highly uncertain, such as the duration and severity of outbreaks, including potential future waves or cycles, and the effectiveness of actions taken to contain and treat COVID-19. The Company considered the potential impact of COVID-19 when making certain estimates and judgments relating to the preparation of these financial statements. 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 financial statements in future reporting periods.

Recent Accounting Pronouncements

Accounting Standards Updates Adopted

In May 2014, the FASB issued ASU 2014-19, Revenue from Contracts with Customers (Topic 606). Subsequently, the FASB issued additional ASUs, which further clarified this guidance. This ASU provides a single principles-based revenue recognition model with a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted this new accounting guidance on January 1, 2020 using the modified retrospective transition approach for all contracts and the adoption did not have a material impact on the Company's results of operations. The adoption did not result in a cumulative transition adjustment as there was no change to the timing of when these costs were recognized.

Accounting Standards Updates to Become Effective in Future Periods

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes Topic 840, Leases. Subsequently, the FASB issued additional ASUs which further clarify this guidance. This ASU increases the transparency and comparability of organizations by requiring the capitalization of substantially all leases on the balance sheet and disclosures of key information about leasing arrangements. The updates are effective for fiscal years beginning after December 15, 2022. Management is evaluating the impact of this update on the Company's financial statements.

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments (Topic 326), which amends the Board's guidance on the impairment of financial instruments. Subsequently, the FASB issued additional ASUs which further clarify this guidance. The ASU adds to US GAAP an impairment model that is based on expected losses rather than incurred losses, which is known as the CECL model. The CECL model applies to most debt instruments (other than those measured at fair value), trade and other receivables, financial guarantee contracts, and loan commitments. This ASU is effective for fiscal years beginning after December 15, 2022. Management is evaluating the impact of this update on the Company's financial statements.

In December 2019, the FASB issued AS 2019-12, Simplifying the Accounting for Income Taxes (Topic 740), which removes certain exceptions to the general principles in Topic 740 and improves consistent application of and simplifies US GAAP for other areas of Topic 740 by clarifying and amending existing guidance. This ASU is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. Management is evaluating the impact of this update on the Company's financial statements.

In August 2020, the FASB issued ASU 2020-06, Debt-Debit with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in an Entity's Own Equity (Subtopic 815-40), which will simplify the accounting for convertible instruments by reducing the number of accounting models for convertible debt instruments and convertible preferred stock. Limiting the accounting models will result in fewer embedded conversion features being separately recognized from the host contract as compared with current GAAP. Convertible instruments that continue to be subject to separation models are (1) those with embedded conversion features that are not clearly and closely related to the host contract, that meet the definition of a derivative, and that do not qualify for a scope exception from derivative accounting and (2) convertible debt instruments issued with substantial premiums for which the premiums are recorded as additional paid-in capital. ASU 2020-06 also amends the guidance for the derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusions. This ASU is effective for fiscal years beginning after December 15, 2023, with early adoption permitted for fiscal years beginning after December 15, 2020. Management is evaluating the impact of this update on the Company's financial statements.

Note 3 CUSTOMER CONCENTRATION

The Company had four and three customers during the nine months ended September 30, 2021 and 2020, respectively, which individually generated 10% or more of the Company's net sales. These customers accounted for 70% and 66% of the Company's Net sales for the nine months ended September 30, 2021 and 2020, respectively. As of September 30, 2021 and 2020, these customers represented 53% and 15% of the Company's outstanding accounts receivable.

Note 4 INVENTORIES

Inventories consisted of the following at September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
Work in process	$ 324,044	$ 172
Finished goods	163,131	103,274
Inventories	**$ 487,175**	**$ 103,446**

Note 5 PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
Machinery and equipment	$ 178,784	$ 178,784
Accumulated depreciation	(44,296)	(30,888)
Property and equipment, net	**$ 134,488**	**$ 147,896**

Depreciation expense was $13,409 for the each of the nine months ended September 30, 2021 and 2020.

Note 6 DEBT

The Company's debt consisted of the following at September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
Convertible notes payable	$ 2,632,500	$ 2,632,500
Notes payable	424,497	
Economic Injury Disaster Loan	126,100	134,100
Paycheck Protection Program (PPP)	-	115,800
Working capital loan	-	42,003
Total debt, including current portion	3,183,097	2,924,403
Less: Current portion	(2,839,849)	(2,764,570)
Long-term debt	**$ 343,248**	**$ 159,833**

At September 30, 2021, the future maturities of debt consisted of the following:

	Amount
2021	$ 2,839,849
2022	220,338
2023	2,662
2024	2,764
2025	2,869
Thereafter	114,615
	$ 3,183,097

Convertible Note Agreements

From February 2017 to March 2020 the Company entered into convertible note agreements with an aggregate principal value of approximately $2.6 million. The convertible notes, bearing interest of 4% per annum, mature on December 31, 2021 with principal and interest due at maturity if not previously converted.

All convertible notes were converted to common stock in connection with the Merger. The convertible notes contained an embedded derivative feature that could accelerate repayment of the convertible notes upon a qualified financing event. Management determined, at issuance, the occurrence of a qualified financing event was within its control. Accordingly, the convertible notes were accounted for as traditional debt with interest accruing to the maturity date.

Economic Injury Disaster Loan

On June 10, 2020, the Company secured a loan offered by the U.S. Small Business Administration ("SBA") under its Economic Injury Disaster Loan assistance program ("EIDL") in light of the impact of the COVID-19 pandemic on the Company's business. The principal amount of the loan was $126,100 and interest accrued at the rate of 3.75%. Installment payments, including principal and interest, are due monthly beginning twelve months from the date of the EIDL loan in the amount of $615. The balance of principal and interest is payable thirty years form the date of the promissory note.

Paycheck Protection Program

On April 14, 2020, the Company received loan proceeds in the amount of $115,800 under the Paycheck Protection Program ("PPP"). On January 30, 2021, the Company received an additional $123,670 of loan proceeds under the PPP. The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintains its payroll levels.

Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Company used the proceeds for purposes consistent with the PPP. In May 2021, the Company received notification from the SBA that the PPP loans, including accrued interest, had been fully forgiven.

Working Capital Loan

The Company entered into a program with American Express Company whereby the Company can request short-term commercial loans to be paid directly to eligible vendors. These loans are general unsecured obligations of the Company and bear a 12% interest rate. The terms of the program are subject to change from time to time.

February 2021 Note Payable to Investment Company

On February 1, 2021, the Company issued a note payable to an investment company for $175,000 that matured in July 2021. This note payable accrued interest at 15% per annum, payable monthly. This note payable was secured by the inventory acquired with the loan proceeds. By May 2021, this note payable was repaid in full.

May 2021 Note Payable to Investment Company

On May 3, 2021, the Company issued a note payable to an investment company for $175,000 that matured in October 2021. This note payable accrued interest at 15% per annum, payable monthly. This note payable was secured by the inventory acquired with the loan proceeds.

May 2021 Note Payable to Vendor

On May 27, 2021, the Company issued a note payable to a vendor for $117,249 that matures in June 2022. This note payable accrues interest at 0% per annum. This note payable is an unsecured, unsubordinated obligation of the Company.

September 2021 Note Payable

On September 25, 2021, the Company issued a note payable to InMed for $250,000 that matures in May 2022. This note payable accrues interest at 15% per annum. This note payable is secured by the Company's current assets and fixed assets, less certain accounts receivable and inventories.

Note 7 SHARE-BASED AWARDS

As of September 30, 2021, the Company had stock options under the 2018 Stock Plan. The terms of each share-based award will be determined by the Board of Directors. As of September 30, 2021, the Company had 1,056,667 shares authorized and available for grant under the 2018 Stock Plan.

For the nine months ending September 30, 2021, 7,601 of share-based compensation expense was recorded in general and administration. As of September 30, 2021, there was $15,550 of total unrecognized compensation cost related to stock option awards outstanding.. The cost is expected to be recognized over a weighted average period of 0.6 years.

The fair value of stock option awards was determined using a Black-Scholes option pricing model as of the grant date. Expected volatilities are based on historical stock price movements of comparable companies, as the Company's stock is not publicly traded. The Company accounts for forfeitures of awards at the time they become known. The expected term of options was set to their contractual term. The risk-free rate for periods within the contractual life of the award is based on the U.S. Treasury yield curve in effect at the grant date. No options were issued for the nine months ended September 30, 2021.

	2020
Expected volatility	91%-93%
Expected dividends	0%
Expected term (in years)	10.0
Risk-free rate	0.7%-0.8%

Stock options vest over 12 or 48 months in monthly installments, and in some cases with a one year cliff, depending on the terms of the award. The award holder will receive common shares upon exercise.

The following summary presents information regarding stock options as of September 30, 2021 and changes during the nine months then ended:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)
Outstanding at beginning of year	1,240,000	$ 0.06	
Outstanding at end of period	1,240,000	0.06	8.0
Exercisable at end of period	849,064	$ 0.06	8.1

A summary of the Company's non-vested stock option activity and related information for the year ended September 30, 2021 is as follows:

	Number of Shares	Weighted Average Grant-Date Fair Value
Non-vested at December 31, 2019	395,835	$ 0.06
Granted	725,000	0.06
Vested	(439,896)	0.06
Forfeited	(26,667)	0.06
Non-vested at September 30, 2020	654,272	$ 0.06
Vested	(163,127)	0.06
Non-vested at December 31, 2020	491,145	$ 0.06
Vested	(338,124)	0.06
Non-vested at September 30, 2021	153,021	$ 0.06

Note 8 LEASES

The Company leases office and laboratory space under an operating lease that matures through 2024. Renewal options exist. Total rent expense was $223,479and $207,403 for the nine months ended September 30, 2021 and 2020, respectively. The following table is a summary of the future minimum lease payments as of September 30, 2021:

	Operating
2021	$ 81,057
2022	331,527
2023	341,475
2024	85,995
	$ 840,054

Note 9 COMMITMENTS AND CONTINGENCIES

The Company is a party to a variety of contractual agreements under which it may be obligated to indemnify the other party for certain matters in the ordinary course of business, which indemnities may be secured by operation of law or otherwise. These agreements primarily relate to the Company's commercial contracts, service agreements, operating leases and other real estate contracts, financial agreements, and agreements to indemnify officers, directors, and employees in the performance of their work. While the Company's aggregate indemnification obligations could result in a material liability, the Company is not aware of any matters that are expected to result in a material liability. No amount has been recorded in the Condensed Balance Sheets for these contingent obligations.

The Company's operations are subject to a variety of state and local regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on operations, or losses of permits that could result in the Company ceasing operations. While management believes that the Company is in substantial compliance with applicable local and state regulations as of December 31, 2020, regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

The Company entered into a patent license agreement with a third party (the "Licensor") in an agreement dated February 15, 2021 that formalized the terms sheet entered into in December 2020. As per the agreement, an upfront patent license fee of $150,000 was due to be paid to the Licensor. This license fee was payable in installments based on agreed upon milestones. Of of this amount, the Company paid $50,000 through September 30, 2021. Of this amount, the Company paid $20,000 in the year ending December 31, 2020 and $30,000 in the period ending September 30, 2021. The remaining upfront fees were contingent on validation by Licensor of the licensed processes for commercial-scale manufacturing of the licensed products. As of September 30, 2021, management determined that it was reasonably possible the remaining future upfront payments would be made, but did not accrue for them as they were not probable. The Company is also required to make future royalty payments to Licensor based on net sales of licensed products, with minimum payments required starting in 2021.

Note 10 RELATED PARTIES

The Company owed $451,673 and $422,500 of convertible notes payable to shareholders and related parties at September 30, 2021 and December 31, 2020, respectively. The Company had accrued $51,902 and $38,677 of interest on these convertible notes payable at September 30, 2021 and December 31, 2020, respectively.

Note 11 SUBSEQUENT EVENTS

The Company has evaluated subsequent events after the balance sheet date for appropriate accounting and disclosure through December 21, 2021, the date on which the financial statements were available to be issued.

On October 3, 2021, the Company issued a note payable to InMed for $175,000 that matures on December 31, 2021. This note payable accrues nil interest (or 15% per annum if the Merger had not completed). This note payable is secured by the Company's current assets and fixed assets, less certain accounts receivable and inventories.

On October 13, 2021, the Company merged with BayMedica, LLC as part of InMed's acquisition of the Company. In conjunction with this transaction, the convertible notes payable and related accrued interest payable were converted into common shares of the Company immediately prior to closing. The EIDL loan and remaining balance of the May 2021 note payable were repaid in full upon closing.

In December 2021, the Company amended the License Agreement including the deferral of the 2021 minimum payments to 2022.

Exhibit 99.3

INMED PHARMACEUTICALS, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Introduction

On October 13, 2021, the Company and BayMedica, LLC, formerly InMed LLC (“Merger Sub”), the Company’s wholly-owned subsidiary, entered into an amended and restated agreement and plan of reorganization (the “Amended Agreement”) with BayMedica, BM REP, LLC, as the stockholder representative, and certain BayMedica stockholders, pursuant to which the Company acquired all of BayMedica’s outstanding shares of common stock (the “Merger”). The Amended Agreement amended and restated the previously-reported agreement and plan of reorganization, dated as of September 10, 2021, by and among the Company, Merger Sub, BayMedica, BM REP, LLC, as the stockholder representative, and certain BayMedica stockholders, in its entirety (the “Original Agreement”).

Pursuant to the Amended Agreement, InMed issued 2,050,000 common shares (the “Stock Consideration”) to BayMedica’s equity and convertible debt holders and $1,000,000 in cash (the “Cash Consideration”). The Cash Consideration is being held in escrow by the Company and is subject to reduction for certain post-closing adjustments or satisfaction of indemnification claims under the Amended Agreement. The Amended Agreement contained representations, warranties, covenants and indemnities by the parties customary for transactions of this type.

The following unaudited pro forma condensed combined financial information is presented to illustrate the estimated pro forma effect of the Merger.

The unaudited pro forma condensed combined financial information presented has been prepared in accordance with Article 11 of Regulation S-X, Pro Forma Financial Information, as amended by the SEC’s final rule, Release No. 33-10786 “Amendments to Financial Disclosures about Acquired and Disposed Businesses.” Release No. 33-10786 replaces the pro forma adjustment criteria with simplified requirements to depict the accounting for the transaction (“Transaction Accounting Adjustments”) and the option to present the reasonably estimable synergies and other transaction effects that have occurred or are reasonably expected to occur (“Management’s Adjustments”). InMed has elected not to present Management’s Adjustments and has only presented Transaction Accounting Adjustments in the following unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined balance sheet as of September 30, 2021 combines the historical balance sheets of InMed and BayMedica on a pro forma basis giving effect to the Merger as if it had been completed on September 30, 2021. The unaudited pro forma consolidated statements of operations for the three months ended September 30, 2021 and for the year ended June 30, 2021 combine the historical statements of operations of InMed and BayMedica giving effect to the Merger as if it had been completed on July 1, 2020, the first day of the earliest period presented.

The pro forma adjustments and allocation of the Purchase Price are preliminary, are based on management's current estimates of the fair value of the assets to be acquired and liabilities to be assumed, and are based on currently available information, including preliminary work performed by independent valuation specialists.

As of the date hereof, we have not completed the detailed valuation analysis and calculations necessary to arrive at final estimates of the fair market value of the assets of BayMedica to be acquired and the liabilities to be assumed and the related allocations of the Purchase Price, nor have we identified all adjustments necessary to conform BayMedica's accounting policies to our accounting policies, including the adoption of ASC Topic 842 - Leases. Accordingly, certain of BayMedica's assets and liabilities are presented at their respective carrying amounts and should be treated as preliminary values.

Actual results will differ from the unaudited pro forma condensed combined financial information provided herein once we have completed the valuation analysis necessary to finalize the required Purchase Price allocations and identified any additional conforming accounting policy changes for BayMedica. There can be no assurance that such finalization will not result in material changes to the unaudited pro forma condensed combined financial information presented.

Assumptions and estimates underlying the unaudited pro forma adjustments set forth in the unaudited pro forma condensed combined financial statements are described in the accompanying notes below.

The unaudited pro forma condensed combined financial information and accompanying notes are based on, and should be read in conjunction with, (i) the historical audited consolidated financial statements of InMed and accompanying notes for the year ended June 30, 2021, included in InMed's Annual Report on Form 10-K for the fiscal year ended June 30, 2021; and the historical unaudited consolidated financial statements of InMed and accompanying notes for the period ended September 30, 2021, included in InMed's Quarterly Report on Form 10-Q for the quarter ended September 30 2021, and (ii) the historical audited financial statements of BayMedica and accompanying notes included for the year ended December 31, 2020, and the historical unaudited financial statements of BayMedica and accompanying notes for the nine-month period ended September 30, 2021, each of which are filed as Exhibits 99.1 and 99.2, respectively, with this Current Report on Form 8-K.

The following unaudited pro forma condensed combined financial statements are provided for illustrative purposes only and are based on currently available information and assumptions that we believe are reasonable under the circumstances. They do not purport to represent what our actual consolidated results of operations or the consolidated financial position would have been had the Merger been completed on the dates indicated, or on any other date, nor are they necessarily indicative of our future consolidated results of operations or consolidated financial position as a result of the Merger. Our actual financial position and results of operations will differ, perhaps significantly, from the pro forma amounts reflected herein due to a variety of factors, including access to additional information, changes in value not currently identified and changes in operating results of InMed and BayMedica following the date of the unaudited pro forma condensed combined financial statements.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF SEPTEMBER 30, 2021

	InMed Pharmaceuticals Inc.	BayMedica LLC	Transaction Accounting Adjustments	Other Transaction Adjustments	Note	Pro Forma Combined
ASSETS	$					**$**
Current						
Cash and cash equivalents	15,343,905	44,461	(1,000,000)	(212,660)	(j) (l)	**14,175,706**
Short-term investments	45,224					**45,224**
Accounts receivable	14,842	38,800				**53,642**
Loan receivable	250,000			(250,000)	(m)	-
Inventories		487,175				**487,175**
Prepaids and other assets	322,352	19,746				**342,098**
Total current assets	15,976,323	590,182	(1,000,000)	(462,660)		**15,103,845**
Non-Current						
Property and equipment, net	304,934	134,488		727,389	(e)	**1,166,811**
Intangible assets, net	1,037,382	-	2,276,083		(a) (o)	**3,313,465**
Goodwill			1,575,848		(b)	**1,575,848**
Other assets	8,625	100,550				**109,175**
Total Assets	17,327,264	825,220	2,851,931	264,729		**21,269,144**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current						
Accounts payables and accrued liabilities	1,844,769	1,095,245		(395,884)	(h) (e)	**2,544,130**
Short-term debt		2,839,849		(2,810,537)	(g) (l) (m)	**29,312**
Current portion of lease obligations	82,232	-				**82,232**
Deferred revenue		8,390				**8,390**
Total current liabilities	1,927,001	3,943,484	-	(3,206,421)	-	2,664,064
Non-current						
Lease obligations	178,591	-		824,701	(e)	**1,003,292**
Derivative warrants liability	-					-
Long-term debt	-	343,248		(284,623)	(l) (m)	**58,625**
Total Liabilities	2,105,592	4,286,732	-	(2,666,343)		**3,725,981**
Shareholders' Equity						
Common shares, no par value, unlimited authorized shares: 10,327,034 (June 30, 2021 - 8,050,707) issued and outstanding	63,686,724	9,303	(393,967)	2,931,072	(c) (h) (g)	**66,233,132**
Additional paid-in capital	29,230,464	77,769	(77,769)		(d)	**29,230,464**
Accumulated deficit	(77,824,085)	(3,548,584)	3,323,667		(d) (k)	**(78,049,002)**
Accumulated other comprehensive income	128,569					**128,569**
Total Shareholders' Equity	15,221,672	(3,461,512)	2,851,931	2,931,072		**17,543,163**
Total Liabilities and Shareholders' Equity	17,327,264	825,220	2,851,931	264,729		**21,269,144**

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021

	InMed Pharmaceuticals Inc.	BayMedica LLC	Transaction Accounting Adjustments	Note	Pro Forma Combined
	$	$	$	$	$
Net sales	-	276,320			**276,320**
Cost of sales	-	101,977			**101,977**
Gross profit	-	174,343	-		**174,343**
Operating Expenses					
Research and development and patents	1,491,252	615,690	79,156	(q)	**2,106,942**
General and administrative	1,372,867	207,773	(331,354)	(f) (q)	**1,580,640**
Amortization and depreciation	28,532	4,470	44,983	(k)	**33,002**
Total operating expenses	(2,892,651)	(653,590)	207,215		**(3,546,241)**
Other Income (Expense)					
Interest income (expense)	5,148	(34,790)	26,325	(i)	**(29,642)**
Other income, net	-	273,311			**273,311**
Foreign exchange loss	(84,112)				**(84,112)**
Total other (expenses) income	(78,964)	238,521	26,325		**159,557**
Net loss before income taxes	(2,971,615)	(415,069)	233,540		**(3,386,684)**
Income tax expense	-	168			**168**
Net loss for the period	(2,971,615)	(414,901)	233,540		**(3,386,516)**
Net loss for the period					
Basic and diluted	(0.21)				**(0.24)**
Weighted average outstanding common shares					
Basic and diluted	14,075,273				**14,075,273**

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2021

	InMed Pharmaceuticals Inc.	BayMedica LLC	Transaction Accounting Adjustments	Note	Pro Forma Combined
	$	$	$		$
Net sales	-	1,994,013	(90,000)	(n)	**1,904,013**
Cost of sales	-	475,572			**475,572**
Gross profit	-	1,518,441	(90,000)		**1,428,441**
Operating Expenses					
Research and development and patents	5,338,084	1,164,240	226,624	(n) (q)	**6,728,948**
General and administrative	4,479,333	348,555	(41,264)	(f) (q)	**4,786,624**
Amortization and depreciation	120,866	17,878	179,933	(k)	**318,677**
Total operating expenses	(9,938,283)	(12,232)	(455,293)		**(10,405,808)**
Other Income (Expense)					
Interest income (expense)	16,017	(127,203)	105,300	(i)	**(5,886)**
Finance expense	(360,350)				**(360,350)**
Unrealized gain on derivative warrants liability	242,628				**242,628**
Other income, net	0	142,656			**(20,445)**
Foreign exchange loss	(163,101)	(20)			**(264,826)**
Total other expenses	(264,806)	15,433	105,300	-	**(408,879)**
Net loss before income taxes	(10,203,089)	3,202	(349,993)		**(10,549,881)**
Income tax expense	-	(3,049)			**(3,049)**
Net loss for the period	(10,203,089)	153	(349,993)		**(10,552,930)**
Other Comprehensive Loss					
Foreign currency translation gain (loss)	430,443	-			**430,443**
Total comprehensive loss for the period	(9,772,646)	153	(349,993)	-	**(10,122,487)**
Net loss for the period					
Basic and diluted	(1.16)				**(1.20)**
Weighted average outstanding common shares					
Basic and diluted	8,769,830			(p)	**8,769,830**

Note 1. Basis of Pro Forma Presentation

The unaudited pro forma condensed combined financial statements are derived from the historical consolidated financial statements of InMed and the historical financial statements of BayMedica. The unaudited pro forma condensed combined financial statements are prepared as a business combination using the purchase accounting method.

The unaudited pro forma condensed combined balance sheet has been prepared to reflect the transaction as if the Merger had been completed on September 30, 2021. The unaudited pro forma condensed combined statements of operations for the three months ended September 30, 2021 and for the year ended June 30, 2021 combine the historical statements of operations of InMed and BayMedica giving effect to the Merger as if it had been completed on July 1, 2020, the first day of the earliest period presented.

The Merger will be accounted for under the purchase accounting method of accounting in accordance with FASB ASC 805, Business Combinations, using the fair value concepts defined in ASC 820, Fair Value Measurements and Disclosures. We are treated as the “acquirer” and BayMedica is treated as the “acquired” company for financial reporting purposes. Accordingly, the purchase consideration allocated to the BayMedica business’s net assets and liabilities for preparation of the unaudited pro forma condensed combined balance sheet is based upon their estimated preliminary fair values assuming the Merger was completed as of September 30, 2021. The amount of the purchase consideration that was in excess of the estimated preliminary fair values of the BayMedica’s business’s net assets and liabilities at September 30, 2021 is recorded as goodwill in the unaudited pro forma condensed combined balance sheet.

We have not yet completed the detailed valuation studies necessary to arrive at the final estimates of the fair value of BayMedica’s assets to be acquired, the liabilities to be assumed and the related allocations of the Purchase Price.

The unaudited pro forma condensed combined financial information includes pro forma adjustments that are (i) directly attributable to the Merger, (ii) factually supportable, and (iii) with respect to the unaudited condensed combined pro forma statements of operations, expected to have a continuing impact on the results of operations of the combined company.

Actual results may differ from these unaudited pro forma condensed combined financial statements once we have determined the final Purchase Price for BayMedica and have completed the valuation studies necessary to finalize the required Purchase Price allocations and identified any additional conforming accounting policy changes. There can be no assurance that such finalization will not result in material changes to the unaudited pro forma condensed combined financial information presented. The preliminary unaudited pro forma Purchase Price allocation has been made solely for preparing these unaudited pro forma condensed combined financial statements.

These unaudited pro forma condensed combined financial statements do not purport to represent what the actual consolidated results of operations of InMed would have been had the Merger been completed on the dates assumed, nor are they necessarily indicative of future consolidated results of operations or consolidated financial position.

Note 2. Accounting Policies

The unaudited pro forma condensed combined financial statements may not reflect all reclassifications necessary to conform BayMedica's presentation to that of InMed's. As a result, we may identify differences between the accounting policies of the two companies that, when conformed, could have a material impact on the combined financial statements.

Note 3. Preliminary Purchase Consideration and Purchase Price Allocation

Under the purchase method of accounting, the identifiable assets acquired and liabilities assumed are recorded at the fair values. The Purchase Price allocation provided in these pro forma condensed combined financial statements is preliminary and based on estimates of the fair value as of September 30, 2021, not October 13, 2021 which was the actual date of the Merger Closing.

We have engaged a third-party valuation company to assist us with valuation of the BayMedica's assets and liabilities. The detailed valuation necessary to estimate the fair value of the assets acquired and liabilities assumed has not yet been completed; accordingly, the adjustments to record the assets acquired and liabilities assumed at fair value reflect the best estimate of InMed and are subject to change once additional analyses are completed. There can be no assurance that such third-party valuation work will not result in material changes from the preliminary accounting treatment included in the accompanying unaudited pro forma condensed combined financial statements.

The Purchase Price, as provided in the Merger Agreement, provides for the Sellers to receive 2,050,000 common shares of InMed and $1.0 million in cash consideration. The cash consideration is being held in escrow by InMed and is subject to reduction for certain post-closing adjustments or satisfaction of indemnification claims under the Merger Agreement.

The 2,050,000 common shares were fair valued, taking into consideration a liquidity discount reflecting the 180-day resale restriction on the issued shares.

Estimated fair value of common shares issued	$	2,546,408
Cash		1,000,000
Estimated fair value of consideration transferred	$	3,546,408

The cash component is subject to reduction for certain post-closing adjustments or satisfaction of indemnification claims and therefor may be subject to change.

The table below represents the preliminary allocation of the estimated total Purchase Price to BayMedica's business's assets and liabilities in the Merger based on our preliminary estimate of their respective fair values.

Description	Estimated Fair Value
Assets acquired:	
Cash and cash equivalents	$ 44,461
Accounts receivable, net of allowance for doubtful accounts	38,800
Inventory	487,175
Prepaid expenses and deposits	120,296
Property and equipment, net	134,488
Intangible assets	2,501,000
Goodwill	1,575,848
Total assets acquired	4,902,068
Liabilities assumed:	
Accounts payable and accrued liabilities	796,673
Other short term liabilities	215,739
Long term debt	343,248
Total liabilities acquired	1,355,660
Estimated fair value of net assets acquired	$ 3,546,408

Our unaudited pro forma Purchase Price allocation includes certain identifiable intangible assets with an estimated fair value of approximately $2,501,000. These intangible assets include patents, trademarks, trade secrets and product formulation knowledge each of which is expected to have a finite life and are expected to be amortized using the straight-line method over the respective lives of each asset.

Goodwill represents the amount of the Purchase Price in excess of the estimated preliminary amounts assigned to the fair value of the BayMedica's assets acquired and the liabilities assumed. Since these amounts are estimates, the final amount of goodwill recorded may differ materially from the amount presented. Goodwill will not be amortized, but will be tested for impairment at least annually for events or circumstances that may indicate a possible impairment exists. In the event management determines that the value of goodwill has been impaired, we will incur an impairment charge during the period in which the determination is made.

The preliminary fair value of the identifiable intangible assets acquired was estimated using a combination of different methods under the Income-Based Approach. The Income-Based Approach is a general way of determining a value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that convert anticipated economic benefits into a present single amount. This valuation technique requires us to make certain assumptions about future operating and financial performance and cash flow, and other such variables which are discounted to present value using a discount rate that reflects the risk factors associated with future cash flow, the characteristics of the assets acquired, the relationship between the assets acquired and the business as a whole, and the experience of the acquired business. Such valuation methodologies and estimates are subject to change, possibly materially, as additional information becomes available and as additional analyses are performed.

This preliminary unaudited pro forma Purchase Price allocation has been made solely for the purpose of preparing these unaudited pro forma condensed combined financial statements. The final total consideration and amounts allocated to BayMedica's acquired assets and assumed liabilities could differ materially from the preliminary amounts presented in these unaudited pro forma condensed combined financial statements. A decrease in the fair value of the assets or an increase in the fair value of the liabilities from the preliminary valuations presented would result in a dollar-for-dollar corresponding increase in the amount of goodwill that will result from the Merger. In addition, if the value of the property and equipment and identifiable intangible assets is higher than the amounts included in these unaudited pro forma condensed combined financial statements, it may result in higher depreciation and amortization expense than is presented in the unaudited pro forma condensed combined statements of operations. Any such increases could be material and could result in our actual future financial condition and results of operations differing materially from those presented in the unaudited pro forma condensed combined financial statements.

Note 4. Adjustments to Unaudited Pro Forma Condensed Combined Financial Statements

The unaudited pro forma condensed combined financial information has been prepared to illustrate the effect of the Merger and has been prepared for informational purposes only and are not intended to indicate the results of future operations or the financial position of either company.

The historical financial statements have been adjusted in the unaudited pro forma condensed combined financial information to give pro forma effect to events that are directly attributable to the Merger, factually supportable, and with respect to the statements of operations, expected to have a continuing impact on the results of InMed.

The following items are presented as reclassifications in the unaudited pro forma condensed combined financial statements:

(a) Adjustment includes preliminary estimated fair value of intangible assets acquired by InMed.
(b) Adjustment reflects preliminary estimated goodwill.
(c) Adjustment reflects the preliminary estimated fair value of the common shares issued to BayMedica's equity and convertible debt holders. This equity consideration is included in the preliminary estimated fair value of the consideration transferred in the Merger.
(d) Adjustment includes the elimination of the historical additional paid-in capital and accumulated deficit of BayMedica.
(e) Adjustment reflects the adoption of ASC 842 Leases to conform to InMed's presentation.
(f) Represents pro forma adjustment to eliminate transaction expenses related to the Merger incurred by InMed and BayMedica, which will not be recurring after the completion of the Merger.
(g) Represents pro forma adjustment to reclass Convertible Notes to equity to reflect conversion into BayMedica shares as at closing.
(h) Represents pro forma adjustment to reclassify accrued interest on Convertible Notes to equity.
(i) Represents pro forma adjustment to eliminate interest expenses related to the Convertible Notes, which will not be recurring after the completion of the Merger.
(j) Adjustment reflects the Cash Consideration to be paid to acquire BayMedica.
(k) Includes the cumulative impact of preliminary amortization expense for identifiable intangible assets acquired.
(l) Adjustment reflects the cash repayment of certain loans, made immediately after the completion of the Merger.
(m) Represents pro forma adjustments to eliminate intercompany loans made between InMed and BayMedica.
(n) Represents pro forma adjustments to eliminate intercompany transactions between InMed and BayMedica, which will not be recurring after the completion of the Merger.
(o) Adjustment includes the cumulative impact of the amortization of identifiable intangible assets.
(p) Assumes issuance of 2,050,000 shares issued in the transaction at the beginning of the period.
(q) Adjustment includes the cumulative incremental impact of new compensation contracts with employees of BayMedica under S-X 11-01(a)(8) after the completion of the Acquisition.