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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2025

OR

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

FOR THE TRANSITION PERIOD FROM_____ TO_____

Commission File Number 001-41106

Incannex Healthcare Inc.
(Exact name of Registrant as specified in its Charter)

Delaware	**93-2403210**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
Suite 105, 8 Century Circuit Norwest, NSW 2153 Australia	**Not applicable**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: +61 409 840 786

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 Stock, $0.0001 par value per share	**IXHL**	**The Nasdaq Stock Market LLC**

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

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

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

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

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

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

As of May 13, 2025, the registrant had 29,433,798 shares of common stock outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Quarterly Report") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, adopted pursuant to the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts contained in this Quarterly Report, including statements regarding our future results of operations or financial condition, business strategy and plans and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "target," "will" or "would" or the negative of these words or other similar terms or expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- our ability to implement our product development and business strategies, including our ability to continue to pursue development pathways and regulatory strategies for IHL-42X, PSX-001, and IHL-675A and any of our other drug candidates;
- our ability to implement our product development and business strategies, including our ability to continue to pursue development pathways and regulatory strategies for IHL-42X, PSX-001, and IHL-675A and any of our other drug candidates;
- estimates regarding market size and related future growth rates;
- our research and development ("R&D") activities, including clinical testing and manufacturing and the related costs and timing;
- the possibility that we may be required to conduct additional clinical studies or trials for our drug candidates and the consequences resulting from the delay in obtaining necessary regulatory approvals;
- the timing, scope or likelihood of regulatory filings and approvals and our ability to obtain and maintain regulatory approvals for our drug candidates for any indication;
- the pricing, coverage and reimbursement of our drug candidates, if approved and commercialized;
- the rate and degree of market acceptance and clinical utility of our drug candidates;
- our expectations around feedback from and discussions with regulators, regulatory development paths and with respect to Controlled Substances Act designation;
- our ability to maintain effective patent rights and other intellectual property protection for our drug candidates, and to prevent competitors from using technologies we consider important to the successful development and commercialization of our drug candidates;
- our estimates regarding expenses, revenues, financial performance and capital requirements, including the length of time our capital resources will sustain our operations;
- our ability to commercialize drug candidates and to generate revenues;
- our financial condition, including our ability to obtain the funding necessary to advance the development of our drug candidates and our ability to continue as a going concern;
- our ability to comply with the provisions and requirements of our debt arrangements and to pay amounts owed, including any amounts that may be accelerated;

- our ability to retain and attract qualified employees, directors, consultants and advisors;
- our ability to continue to comply with applicable privacy laws and protect confidential information from security breaches;
- how recent and potential future changes in healthcare policy could negatively impact our business and financial condition;
- the extent to which global economic and political developments, including existing regional conflicts, pandemics, natural disasters, and the indirect and/or long-term impact of inflation, will affect our business operations, clinical trials, or financial condition; and
- any statement of assumptions underlying any of the foregoing.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition and operating results. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled "Risk Factors" previously disclosed in Item IA in our Annual Report on Form 10-K, as filed with the SEC on September 30, 2024 (the "2024 Annual Report"). Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Quarterly Report and, while we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

The forward-looking statements made in this Quarterly Report relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report to reflect events or circumstances after the date of this Quarterly Report or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments.

We may announce material business and financial information to our investors using our investor relations website (https://www.incannex.com/investors/). We therefore encourage investors and others interested in our company to review the information that we make available on our website. Our website and information included in or linked to our website are not part of this Quarterly Report.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

INCANNEX HEALTHCARE INC.
Condensed Consolidated Balance Sheets
(unaudited)
(in thousands, except share and per share amounts)
(expressed in U.S. Dollars, unless otherwise stated)

	March 31, 2025	June 30, 2024
Assets		
Current assets:		
Cash and cash equivalents	$ 6,711	$ 5,858
Prepaid expenses and other assets	416	507
Assets pledged as security for short-term debt	1,397	-
Research and Development ("R&D") tax incentive receivable	7,105	9,837
Total current assets	**15,629**	**16,202**
Property, plant and equipment, net	277	472
Operating lease right-of-use assets	291	373
Total assets	**$ 16,197**	**$ 17,047**
Liabilities and stockholders' equity		
Current liabilities:		
Trade and other payables	$ 1,067	$ 612
Accrued expenses and other current liabilities	4,718	4,845
Short-term debt	1,397	-
Operating lease liabilities, current	186	163
Total current liabilities	**7,368**	**5,620**
Operating lease liabilities, non-current	104	210
Long-term debt	-	-
Warrant liabilities	1,322	-
Convertible rights	-	-
Total liabilities	**8,794**	**5,830**
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Common stock, $0.0001 par value – shares 100,000,000 authorized; 17,785,235 and 17,642,832 shares issued and outstanding at March 31, 2025 and June 30, 2024 respectively	2	2
Preferred stock, $0.0001 par value per share, 10,000,000 shares authorized; no shares issued or outstanding at March 31, 2025 and June 30, 2024, respectively	-	-
Additional paid-in capital	136,849	125,218
Accumulated deficit	(125,953)	(110,671)
Foreign currency translation reserve	(3,495)	(3,332)
Total stockholders' equity	**7,403**	**11,217**
Total liabilities and stockholders' equity	**$ 16,197**	**$ 17,047**

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

INCANNEX HEALTHCARE INC.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(unaudited)
(in thousands, except share and per share amounts)
(expressed in U.S. Dollars, unless otherwise stated)

	For the three months ended March 31,		For the 9 months ended March 31,	
	2025	**2024**	**2025**	**2024**
Revenue from customers	-	-	86	-
Operating expenses:				
Research and development	(2,735)	(3,277)	(7,045)	(8,520)
General and administrative	(2,268)	(4,138)	(9,302)	(11,777)
Total operating expenses	**(5,003)**	**(7,415)**	**(16,347)**	**(20,297)**
Loss from operations	(5,003)	(7,415)	(16,261)	(20,297)
Other income, net:	-	-	-	-
R&D tax incentive	421	1,320	2,188	8,150
Foreign exchange gains/(losses)	41	(11)	(290)	(17)
Interest income	4	75	60	166
Interest expense	(132)	-	(303)	-
Loss on change in fair value of convertible rights	-	-	(179)	-
Gain on change in fair value of warrant liabilities	1,824	-	1,721	-
Warrant issuance costs	(129)	-	(129)	-
Loss on extinguishment	(994)	-	(994)	-
Other expenses	-	-	(1,095)	-
Total other income, net	**1,035**	**1,384**	**979**	**8,299**
Loss before income tax expense	**(3,968)**	**(6,031)**	**(15,282)**	**(11,998)**
Income tax expense	-	-	-	-
Net loss	**$ (3,968)**	**$ (6,031)**	**$ (15,282)**	**$ (11,998)**
Other comprehensive income/(loss):				
Currency translation adjustment, net of tax	(88)	(820)	(163)	(403)
Total comprehensive loss	**$ (4,056)**	**$ (6,851)**	**$ (15,445)**	**$ (12,401)**
Net loss per share: Basic and diluted	$ (0.20)	$ (0.38)	$ (0.84)	$ (0.76)
Weighted average number of shares outstanding, basic and diluted	19,632,539	15,873,113	18,238,863	15,873,113

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

INCANNEX HEALTHCARE INC.
Condensed Consolidated Statements of Stockholders' Equity (Deficit)
(unaudited)
(in thousands, except share amounts)
(expressed in U.S. Dollars, unless otherwise stated)

	Common Stock		Additional paid-in capital	Accumulated deficit	Foreign currency translation reserve	Total Stockholders' Equity (Deficit)
	Share	Amount	Amount	Amount	Amount	Amount
	#	$	$	$	$	$
Balance at June 30, 2024	17,642,832	2	125,218	(110,671)	(3,332)	11,217
Stock-based compensation	-	-	1,310	-	-	1,310
Convertible note conversion	64,127	-	100	-	-	100
Share issuance	9,839,794	-	10,968	-	-	11,715
Share issuance costs	-	-	(747)	-	-	(747)
Net loss	-	-	-	(15,282)	-	(15,282)
Currency translation adjustment, net of tax	-	-	-	-	(163)	(163)
Balance at 31 March, 2025	27,546,753	2	136,849	(125,953)	(3,495)	7,403

	Common Stock		Additional paid-in capital	Accumulated deficit	Foreign currency translation reserve	Total Stockholders' Equity (Deficit)
	Share	Amount	Amount	Amount	Amount	Amount
	#	$	$	$	$	$
Balance at December 31, 2024	17,785,235	2	126,355	(121,985)	(3,407)	964
Stock-based compensation	-	-	416	-	-	416
Convertible note conversion	64,127	-	100	-	-	100
Share issuance	9,697,391	-	10,726	-	-	10,726
Share issuance costs	-	-	(747)	-	-	(747)
Net loss	-	-	-	(3,968)	-	(3,968)
Currency translation adjustment, net of tax	-	-	-	-	(88)	(88)
Balance at 31 March 2025	27,546,753	2	136,849	(125,953)	(3,495)	7,403

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

INCANNEX HEALTHCARE INC.
Condensed Consolidated Statements of Cash Flows
(unaudited)
(in thousands, except share and per share amounts)
(expressed in U.S. Dollars, unless otherwise stated)

	For the nine months ended March 31,	
	2025	**2024**
Cash flows from operating activities:		
Net loss	$ (15,282)	$ (11,998)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	185	41
Unrealized gain on foreign currency remeasurement	338	17
Non-cash expense of ELOC commitment	1,097	-
Share-based compensation expense	1,311	5,585
Change in fair value of warrant liabilities	(1,721)	-
Change in fair value of convertible rights	179	-
Non-cash interest expense	303	-
Loss on extinguishment	994	-
Change in operating assets and liabilities:		-
Prepaid expenses and other current assets	148	(6,150)
R&D tax incentive	2,222	-
Assets pledged as securities for short-term debt	(1,397)	-
Trade and other payables	592	302
Net cash used in operating activities	(11,031)	(12,203)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(8)	(274)
Net cash used in investing activities	(8)	(274)
Cash flows from financing activities:		
Proceeds received from facility agreement	4,282	-
Repayment of facility agreement	(2,898)	-
Proceeds from share issuance	12,446	
Share issuance costs	(744)	-
Warrant issuance costs	(125)	-
Proceeds from issuance of convertible debt	2,779	-
Repayment of convertible debt	(3,833)	-
Debt issuance costs	(113)	-
Net cash provided by financing activities	11,794	-
Effect of exchange rate changes on cash and cash equivalents	98	(338)
Net increase/(decrease) in cash and cash equivalents	755	(12,447)
Cash and cash equivalents at beginning of period	5,858	22,120
Cash and cash equivalents at end of period	$ 6,711	$ 9,335
Non-cash investing and financing activities		
Issuance of ELOC warrants at initial fair value	806	
Issuance of convertible note warrants at initial fair value	341	
Issuance of conversion rights at initial fair value	282	
Issuance of Series A warrants at initial fair value	2,843	-
Partial conversion of convertible note	100	-
Total	4,372	-

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

(in thousands, except share and per share amounts)

Note 1 – Re-domiciliation and Business

Incannex Healthcare Inc. (the "Company") is a corporation formed under the laws of Delaware in July 2023. In November 2023, Incannex Healthcare Inc. acquired all the outstanding ordinary shares of Incannex Healthcare Limited, an Australian corporation ("Incannex Australia"), pursuant to a scheme of arrangement under Australian law (the "Re-domiciliation"). As a result of the Re-domiciliation, Incannex Australia became a wholly-owned subsidiary of Incannex Healthcare Inc., which is the new ultimate parent company.

Until the Re-domiciliation, Incannex Australia's ordinary shares were listed on the Australian Securities Exchange ("ASX") and American Depositary Shares ("ADSs"), each representing 25 ordinary shares of Incannex Australia, traded on Nasdaq. Following completion of the Re-domiciliation, Incannex Australia's ordinary shares were delisted from the ASX and Incannex Healthcare Inc. assumed Incannex Australia's listing on Nasdaq.

Pursuant to the Re-domiciliation, holders of Incannex Australia's ordinary shares received one share of common stock in Incannex Healthcare Inc. for every 100 ordinary shares held in Incannex Australia and holders of ADSs in Incannex Australia received one share of common stock of Incannex Healthcare Inc. for every 4 ADSs held in Incannex Australia.

The issued and outstanding shares of the Company's common stock as shown in this report have been adjusted in the consolidated financial statements to reflect the 100:1 exchange ratio as if it had occurred on July 1, 2022.

Incannex Healthcare Inc. and its subsidiaries are referred to as "the Company" unless the text otherwise requires.

The Company's fiscal year end is June 30. References to a particular "fiscal year" are to the Company's fiscal year ended June 30 of that calendar year.

The unaudited condensed consolidated financial statements of the Company are presented in United States dollars and consist of Incannex Healthcare Inc. and the following wholly-owned subsidiaries:

Subsidiary	Jurisdiction
Incannex Healthcare Limited	Victoria, Australia
Incannex Pty Ltd	Victoria, Australia
Psychennex Pty Ltd	Victoria, Australia
APIRx Pharmaceutical USA, LLC	Delaware, United States of America
APIRx Pharmaceuticals Holding BV	IJsselstein, Netherlands
Clarion Clinics Group Pty Ltd	Victoria, Australia
Clarion Model Clinic Pty Ltd	Victoria, Australia
Psychennex Licensing and Franchising Pty Ltd	Victoria, Australia

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

On November 28, 2023, the Company implemented the transaction to redomicile from Australia to United States and became the parent of Incannex Australia and the wholly owned subsidiaries listed in Note 1. The historical financial statements of Incannex Australia became the historical financial statements of the combined company upon consummation of the Re-domiciliation. As a result, the financial statements included in this report reflect (i) the historical operating results of Incannex Australia and subsidiaries prior to the Re-domiciliation; (ii) the combined results of the Company, Incannex Australia, and subsidiaries following the completion of the Re-domiciliation; and (iii) the Company's equity structure for all periods presented, including adjusting the issued and outstanding shares of common stock to reflect the 100:1 exchange ratio as if it had occurred on July 1, 2022.

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

The Company's unaudited condensed consolidated financial statements contained in this Quarterly Report on Form 10-Q have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP") and pursuant to the rules and regulations of the SEC. Prior to the Re-domiciliation, Incannex Australia reported its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). Following the Re-domiciliation, the Company transitioned to US GAAP and applied US GAAP retrospectively for all prior periods presented.

Reference is frequently made herein to the Financial Accounting Standards Board (the "FASB") Accounting Standards Codification ("ASC"). This is the source of authoritative US GAAP recognized by the FASB to be applied to non-governmental entities.

Unaudited Interim Financial Information

In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of its financial position as of March 31, 2025, and its results of operations for the three and nine months ended March 31, 2025, and 2024, and cash flows for the nine months ended March 31, 2025, and 2024. The Company has condensed or omitted certain information and note disclosures normally included in financial statements prepared in accordance with GAAP pursuant to the applicable required disclosures and regulations of the SEC. As such, these unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended June 30, 2024.

Going Concern Basis

The Company believes there is substantial doubt about its ability to obtain additional capital when and as needed to continue as a going concern as previously disclosed in the 2024 Annual Report. The Company has not yet established an ongoing source of revenue sufficient to cover its operating and capital expenditure requirements and to cover any potential payments that may become due and payable pursuant to any debentures to provide sufficient certainty that the Company will continue as a going concern. Historically, the Company has financed its operations to date primarily through partnerships, funds received from public offerings of Common Stock, a debt financing facility, as well as funding from governmental bodies. The Company plan to address this condition through the sale of Common Stock in public offerings and/or private placements, debt financings, or through other capital sources, including collaborations with other companies or other strategic transactions, but there is no assurance these plans will be completed successfully or at all. Pursuant to the requirements of ASC 205-40, Presentation of Financial Statements - Going Concern, and as a result of the financial condition and other factors described herein, there is substantial doubt about the Company's ability to continue as a going concern for a period of at least twelve months from the date of this Quarterly Report.

The Company's independent auditor included a going concern opinion in its audit report, which is part of the 2024 Annual Report, raising substantial doubt about the Company's ability to continue as a going concern. This doubt may adversely impact the Company's ability to secure additional financing necessary for its business operations and could materially affect its ability to enter into contractual relationships with third parties. Uncertainty about the Company's ability to continue as a going concern could materially and adversely affect its liquidity, financial condition, and business prospects.

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Details of all controlled entities are set out in Note 1. All intercompany balances and transactions have been eliminated on consolidation.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that impact the reported amounts of assets, liabilities and expenses and the disclosure of contingent assets and liabilities in the Company's unaudited condensed consolidated financial statements and accompanying notes.

The most significant estimates and assumptions in the Company's unaudited condensed consolidated financial statements include the valuation of equity-based instruments issued, accrued research and development expense, and the research and development tax credit. Estimates are periodically reviewed in light of changes in circumstances, facts and experience. Changes in estimates are recorded in the period in which they become known. Actual results could differ materially from those estimates.

Risks and Uncertainties

The Company is subject to risks and uncertainties common to companies in the biopharmaceutical industry. The Company believes that changes in any of the following areas could have a material adverse effect on future financial position or results of operations: ability to obtain future financing; regulatory approval and market acceptance of, and reimbursement for, product candidates; performance of third-party clinical research organizations and manufacturers upon which the Company relies; protection of the Company's intellectual property; litigation or claims against the Company based on intellectual property, patent, product, regulatory or other factors; the Company's ability to attract and retain employees.

There can be no assurance that the Company's research and development will be successfully completed, that adequate protection for the Company's intellectual property will be obtained or maintained, that any products developed will obtain necessary government regulatory approval or that any approved products will be commercially viable. Even if the Company's product development efforts are successful, it is uncertain when, if ever, the Company will generate significant revenue from product sales. The Company operates in an environment of rapid technological change and substantial competition from other pharmaceutical and biotechnology companies. In addition, the Company is dependent upon the services of its employees, consultants and other third parties.

Significant Accounting Policies

The following is provided to update the Company's significant accounting policies previously disclosed in Note 2 to the Consolidated Financial Statements described in the Company's 2024 Annual Report.

Equity-Line of Credit Purchase Agreement

On September 6, 2024, the Company entered into an equity line of credit Purchase Agreement (the "ELOC Purchase Agreement") with Arena Business Solutions Global SPC II, Ltd ("Arena Global"). Under the ELOC Purchase Agreement, Arena Global has committed to purchase up to $50 million of the Company's Common Stock par value $0.0001 per share (the "Common Stock"), at the Company's direction from time to time, subject to the satisfaction of the conditions in the ELOC Purchase Agreement.

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

The purchase price per share of Common Stock is obtained by multiplying by 96% the daily volume weighted average price ("VWAP") on The Nasdaq Global Market ("Nasdaq") for the trading day specified in the sale notice (same trading day or one trading day following such notice) delivered to Arena Global. The ELOC Purchase Agreement will terminate automatically upon the earliest to occur of (i) the first day of the month next following the 36-month anniversary of the date of the ELOC Purchase Agreement; or (ii) the date on which Arena Global shall have purchased shares of Common Stock under the ELOC Purchase Agreement for an aggregate gross purchase price equal to the Commitment Amount (as defined in the ELOC Purchase Agreement). We have also agreed to pay a financial advisor up to 7% of the gross proceeds raised under the ELOC Agreement.

On December 9, 2024, in connection with the ELOC Purchase Agreement, the Company issued 142,403 shares of Common Stock as a commitment fee to Arena Global. On January 16, 2025 the Company issued 10,346 true-up shares of Common Stock to Arena Global. The Company evaluated that the costs incurred in connection with the commitment fee and the true-up shares do not meet the definition of an asset and, therefore, are expensed as incurred.

As additional consideration for Arena Global's execution and delivery of the ELOC Purchase Agreement, the Company issued a five-year warrant (the "ELOC Warrant") on October 31, 2024, exercisable for 585,000 shares of Common Stock with an exercise price equal to $1.66 per share.

We determine whether to classify contracts, such as warrants, that may be settled in our own stock as equity of the entity or as a liability. An equity-linked financial instrument must be considered indexed to the Company's own stock to qualify for equity classification. The Company classifies warrants as liabilities for any contracts that may require a transfer of assets. Warrants classified as liabilities are accounted for at fair value and remeasured at each reporting date until exercise, expiration or modification that results in equity classification. Any change in the fair value of the warrants is recognized in the Consolidated Statements of Operations and Comprehensive Loss.

Refer to Note 12 for the accounting of the ELOC Purchase Agreement.

Convertible Debenture Financing

On September 6, 2024, the Company entered into a Securities Purchase Agreement (the "September 2024 Purchase Agreement") with Arena Investors, LP ("Arena Investors"), which provides for the issuance of secured convertible debentures in an aggregate principal amount of up to $10 million at an aggregate purchase price of up to $9 million (a 10% original issue discount), divided into three separate tranches, each subject to closing conditions. Under the September 2024 Purchase Agreement, the conversion price of each secured convertible debenture will equal 115% of the closing price of the Common Stock on the trading day preceding the date of the issuance of the respective secured convertible debenture, subject to subsequent adjustments and alternative conversion prices based on the then-current trading price of the Common Stock on Nasdaq, as further detailed in the September 2024 Purchase Agreement. For each secured convertible debenture purchased under the September 2024 Purchase Agreement, the Company will also issue a warrant to the purchaser, exercisable to purchase up to the number of shares of Common Stock equal to 25% of the total principal amount of the related secured convertible debenture, divided by 115% of the closing price of the Company's Common Stock on the trading day immediately preceding the applicable closing date. The Company is not obligated to issue warrants for any tranche that does not close. The exercise price of each warrant will be 115% of the closing price of the Common Stock on the issuance date, and the warrants will have a five-year term. Additionally, the Company has agreed to pay a financial advisor up to 7% of the gross proceeds raised under the September 2024 Purchase Agreement.

The Company completed the closing of the first tranche under the September 2024 Purchase Agreement for the issuance of a 10% original issue discount secured convertible debenture (the "First Tranche Debenture") in the principal amount of $3,333,333 at an aggregate purchase price of $3 million (a 10% original issue discount) to Arena Special Opportunities (Offshore) Master II LP ("Arena Opportunities"). The First Tranche Debenture provides for a payment-in-kind interest rate at 5% and matures on April 14, 2026. In addition, the Company issued a warrant to Arena Investors exercisable for up to 453,749 shares of Common Stock (the "First Tranche Warrant"), at an exercise price of $1.89 per share.

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

The net proceeds received from the issuance of the First Tranche Debenture, after deduction of expenses reimbursable to the Arena Investors, was $2,877,588.

The Company did not meet the closing conditions for the second and third tranche closings set forth in the September 2024 Purchase Agreement; however, the Company and Arena Investors may conduct additional closings under the September 2024 Purchase Agreement, subject to mutual agreement and the closing conditions described therein. There can be no assurance that the parties will reach such an agreement for additional tranche closings.

On November 6, 2024, and as required by our agreements in connection with the First Tranche Debenture, the Company filed a resale Registration Statement on Form S-1/A with the SEC, registering for resale up to 61,389,758 shares of Common Stock, including up to 10,101,009 shares of Common Stock issuable upon conversion of the First Tranche Debenture and up to 453,749 shares of Common Stock issuable upon the exercise of the First Tranche Warrant. This registration statement was declared effective on December 6, 2024.

The Company evaluates its convertible instruments and warrants to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for under ASC 815, Derivatives and Hedging. The classification of derivative instruments, including whether such instruments should be recorded as assets, liabilities, or equity, is reassessed at the end of each reporting period. For equity-linked financial instruments, the Company must determine whether the underlying instrument is indexed to its own Common Stock in order to classify the derivative instrument as equity. Otherwise, the derivative asset or liability, including embedded derivatives, is recognized at fair value with subsequent changes in fair value recognized in the consolidated statements of operations and comprehensive income (loss).

For hybrid instruments, ASC 815-15 requires bifurcation of embedded features if (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. The nature of the host instrument is therefore evaluated to determine if it is more akin to a debt-like or equity-like host. In this assessment, the Company considers the stated and implied substantive features of the contract as well as the economic characteristics and risks of the hybrid instrument. Each term and feature are then weighed based on the relevant facts and circumstances to determine the nature of the host contract. Terms and features of the hybrid.

On 5 February, 2025, Arena Investors converted a total of $100,000 debt into common shares.

On March 13, 2025 the Company repaid in full that certain outstanding Convertible Debenture, previously issued pursuant to that certain Securities Purchase Agreement dated as of September 6, 2024, by and between the Company and the Arena Investors, by making a cash payment of $3,851,111.00, representing the outstanding principal, interest, amounts and redemption premiums due as of February 28, 2025. In connection with the repayment of the Debenture, the Debenture Purchase Agreement, the Security Documents and that certain Equity Line Purchase Agreement, dated September 6, 2024, by and between the Company and Arena Investors were terminated except with respect to the indemnification and registration rights set forth therein. The (i) warrant to purchase up to 453,749 shares of the Company's common stock, par value $0.0001 per share, previously issued to Arena Investords, (ii) Registration Rights Agreement, dated as of October 14, 2025, by and between the Company and Arena Investors and (iii) warrant to purchase up to 585,000 shares of common stock, previously issued to Arena Global pursuant to the Equity Line Purchase Agreement (the "ELOC Warrant") remain in effect.

Refer to Note 12 for the accounting of the Convertible Debenture.

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

Private placement arrangement

On March 7, 2025, the Company entered into a private placement (the "Private Placement") pursuant to a securities purchase agreement with certain institutional investors (the "Purchasers") for the purchase and sale of approximately $12.5 million in gross proceeds of 9,687,045 shares of the Company's common stock, par value $0.0001 per share (the "Common Stock") for a purchase price of $1.08 per share of Common Stock (and, in lieu thereof, pre-funded warrant (the "Pre-Funded Warrants") to purchase up to 1,887,045 shares (the "Pre-Funded Warrant Shares") of Common Stock at a price of $1.0799 per Pre-Funded Warrant and Series A common stock warrants (the "Series A Warrants") to purchase up to 11,574,090 shares of Common Stock at an initial exercise price of $2.16 per share.

The pre-funded warrants are exercisable for the same number of shares of common stock and may be exercised at any time until exercised in full at an exercise price of $0.0001. On March 10, 2025, the Company received substantially all the Pre-Funded Warrants proceeds upfront as part of the Pre-Funded Warrants' purchase price and in return the Company is obligated to issue fixed number of 11,574,090 shares of Common Stock to the investors. Thus, Pre-Funded Warrants were accounted for and were classified as additional paid-in capital as part of the Company's equity. Total incremental and direct issuance costs were deducted from additional paid-in-capital as they were allocated to shares of Common Stock and Pre-Funded Warrants.

The Series A Warrants are classified as liabilities are accounted for at fair value and remeasured at each reporting date until exercise, expiration or modification that results in equity classification. Any change in the fair value of the warrants is recognized in the Consolidated Statements of Operations and Comprehensive Loss.

The issuance of Common stock is recognized on its settlement date. Upon issuance, the common stock is recorded at its fair value.

Refer to Note 12 for the accounting of the Series A Warrants.

Fair Value of Financial Instruments

The Company measures certain financial assets and liabilities at fair value. ASC 820, Fair Value Measurement and Disclosures ("ASC 820"), specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair-value hierarchy:

Level 1: Quoted prices for identical instruments in active markets;

Level 2: Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and

Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Note 3 – Prepaid expenses and other current assets

	March 31, 2025 $	June 30, 2024 $
	(in thousands)	
Prepayments[1]	180	329
GST recoverable	236	178
Total prepaid expenses and other current assets	416	507

1 Prepayments consist of prepaid clinical trial insurances, prepaid R&D expenditure relating to PSX-001 and IHL-675A clinical trials and scientific, marketing, and adverting subscription services.

Note 4 – Assets pledged as security for short-term debt

	March 31, 2025 $	June 30, 2024 $
	(in thousands)	
Assets pledged as security for short-term debt	1,397	-

The amount consists of R&D tax incentive receivables, as detailed under Note 5, which have been pledged to FC Credit as part of the facility agreement detailed under Note 12.

Note 5 – R&D tax incentive receivable

	March 31, 2025 $	June 30, 2024 $
	(in thousands)	
R&D tax incentive receivable	7,105	9,837

Due to multiple years of tax incentives being granted and successful lodgment of overseas findings on the Company's lead assets, the Company changed its estimates for the R&D tax incentive receivable, primarily based on historical experience of claims. These amounts exclude the portion of R&D tax incentive receivable pledged as security for the facility agreement as detailed in Note 4.

Note 6 – Property, Plant and Equipment, net

	March 31, 2025 $	June 30, 2024 $
	(in thousands)	
Furniture, fittings and equipment	597	597
Assets under construction	-	-
Total property, plant and equipment, gross	597	597
Accumulated depreciation and amortization	(320)	(125)
Total property, plant and equipment, net	$ 277	$ 472

Depreciation expense is recorded within general and administrative in the unaudited condensed consolidated statements of operations and comprehensive loss and amounted to $207 and $25 for the nine months ended March 31, 2025 and 2024, respectively.

Note 7 – Trade and other payables, accrued expenses and other current liabilities

	March 31, 2025 $	June 30, 2024 $
	(in thousands)	
Current liabilities		
Trade payables	1,039	527
Contract liabilities	28	85
Total trade and other payables	1,067	612
Accrued expenses	4,358	4,512
Employee leave entitlements	360	333
Total accrued expenses and other current liabilities	4,718	4,845
Total Trade and other payables, accrued expenses and other current liabilities	5,785	5,457

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying amounts are a reasonable approximation of fair value.

Note 8 – Leases

During fiscal year 2023, the Company entered into three new lease agreements for its corporate head office in Sydney, Melbourne office and Clarion Clinic site. The leases have four, five and three-year terms respectively. These leases require monthly lease payments that may be subject to annual increases throughout the lease term. Certain of these leases also include renewal options at the election of the Company to renew or extend the lease for an additional three to five years. These optional periods have not been considered in the determination of the right-of-use assets or lease liabilities associated with these leases as the Company did not consider it reasonably certain it would exercise the options.

The following table summarizes the weighted-average remaining lease term and discount rates for the Company's operating leases:

	March 31, 2025	June 30, 2024
Lease term (years)	1.57	2.32
Discount rate	9.18%	9.18%

The following table summarizes the lease costs pertaining to the Company's operating leases:

	March 31, 2025 $	June 30, 2024 $
	(in thousands)	
Operating lease cost	146	172

Cash paid for amounts included in the measurement of operating lease liabilities during the three months ended March 31, 2025 and fiscal year June 30, 2024 was $146 and $172 respectively, and was included within net cash used in operating activities in the cash flows.

The following table summarizes the future minimum lease payments due under operating leases as of March 31, 2025, (in thousands):

Operating leases	Amount $ (in thousands)
June 30, 2025	50
June 30, 2026	191
June 30, 2027	46
June 30, 2028	31
Total minimum lease payments	318
Less amount representing interest	27
Total operating lease liabilities	291

As of March 31, 2025, the Company's operating lease has a weighted-average remaining lease term of 1.57 years and a discount rate of 9.18%.

Note 9 – Commitments and contingencies

The Company records a loss contingency when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Company also discloses material contingencies when it believes a loss is not probable but reasonably possible. Accounting for contingencies requires the Company to use judgment related to both the likelihood of a loss and the estimate of the amount or range of loss. Although the Company cannot predict with assurance the outcome of any litigation or tax matters, it does not believe there are currently any such actions that, if resolved unfavorably, would have a material impact on the Company's operating results, financial position or cash flows.

Note 10 – Stockholder's equity/Issued capital

Common Stock

The Company has one class of common stock. In connection with the re-domiciliation, the Company's amended and restated certificate of incorporation became effective, which provides for authorized the issuance of 100,000,000 authorized shares of common stock with a par value of $0.0001 per share, with one vote per share. Holders of common stock are entitled to receive any dividends as may be declared from time to time by the Company's board of directors.

On November 28, 2023, the Company effected the Re-domiciliation. All references in these unaudited condensed consolidated financial statements to the Company's outstanding common stock, including per share information, have been retrospectively adjusted to reflect this Re-domiciliation.

Note 11 – Stock-based payments

	For the nine months ended March 31,	
	2025$	**2024$**
	(in thousands)	
Research and development	-	-
General and administrative	1,310	5,584
Total stock-based compensation expense	1,310	5,584

	For the three months ended March 31,	
	2025$	**2024$**
	(in thousands)	
Research and development	-	-
General and administrative	416	2,116
Total stock-based compensation expense	416	2,116

Note 11 – Stock-based payments (continued)

Restricted stock units

A summary of the changes in the Company's restricted stock activity for the period ended March 31, 2025, are as follows:

	Numbers of Shares	Weighted Average Grant Date Fair Value $
	(in thousands, expect per share data)	
Unvested and Outstanding as of June 30, 2024	651,939	3.91
Granted	27,795	1.84
Vested	9,265	1.84
Forfeited	-	-
Unvested and Outstanding as of September 30, 2024	670,469	3.86

	Numbers of Shares	Weighted Average Grant Date Fair Value $
	(in thousands, expect per share data)	
Unvested and Outstanding as of September 30, 2024	670,469	3.86
Granted	-	-
Vested	-	-
Forfeited	-	-
Unvested and Outstanding as of December 31, 2024	670,469	3.86

	Numbers of Shares	Weighted Average Grant Date Fair Value $
	(in thousands, expect per share data)	
Unvested and Outstanding as of December 31, 2024	670,469	3.86
Granted	-	-
Vested	-	-
Forfeited	-	-
Unvested and Outstanding as of March 31, 2025	670,469	3.86

Note 11 – Stock-based payments (continued)

Stock options

A summary of the changes in the Company's stock options activity for the period ended March 31, 2025, are as follows:

	Number of Shares	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands) ($)
Outstanding as of June 30, 2024	235,008	26.76	1.93	-
Granted	-	-	-	-
Exercised	-	-	-	-
Cancelled or forfeited	-	-	-	-
Outstanding as of September 30, 2024	235,008	28.00	1.93	-
Unvested as of September 30, 2024	14,001	24.26	4.01	-

	Number of Shares	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands) ($)
Outstanding as of September 30, 2024	235,008	28.00	1.93	-
Granted	-	-	-	-
Exercised	-	-	-	-
Cancelled or forfeited	-	-	-	-
Outstanding as of December 31, 2024	235,008	28.00	1.43	-
Unvested as of December 31, 2024	14,001	24.26	3.50	-

	Number of Shares	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands) ($)
Outstanding as of December 31, 2024	235,008	28.00	1.43	-
Granted	-	-	-	-
Exercised	-	-	-	-
Cancelled or forfeited	-	-	-	-
Outstanding as of March 31, 2025	235,008	28.00	1.43	-
Unvested as of March 31, 2025	14,001	24.26	3.50	-

The aggregate intrinsic value of share options is calculated as the difference between the exercise price of the share options and the fair value of the Company's shares of common stock for those share options that had exercise prices lower than the fair value of the Company's shares of common stock.

As of March 31, 2025, there was $57 of unrecognized compensation cost related to unvested share options, which is expected to be recognized over a weighted-average period of 0.3 years.

Note 12 – Fair value of Financial Instruments

Cash and cash equivalents, accounts receivable (including assets pledged as security for short-term debt and R&D tax incentive receivable), prepaid expenses and other current assets, accounts payable, accrued expenses and current liabilities are reflected on the consolidated balance sheets at amounts that approximate fair value because of the short-term nature of these financial assets and liabilities.

The fair value of the Company's debt approximates its carrying value and is classified as Level 3 within the fair value hierarchy as it is based on discounted cash flows using a current borrowing rate.

ELOC Purchase Agreement

The Company evaluated the ELOC Purchase Agreement to determine whether it should be accounted for considering the guidance in ASC 815-40, "Derivatives and Hedging - Contracts on an Entity's Own Equity" ("ASC 815-40") and concluded that it is an equity-linked contract that does not qualify for equity classification, and therefore requires fair value accounting as a derivative.

The ELOC Purchase Agreement was terminated at March 13, 2025.

ELOC Warrants

Classification of the ELOC Warrants as liability instruments was based on management's analysis of the guidance in ASC 815 and in a statement issued by the Staff of the SEC regarding the accounting and reporting considerations for warrants issued by special purpose acquisition companies entitled "Staff Statement on Accounting and Reporting Considerations for Warrants Issued by Special Purpose Acquisition Companies."

Management considered whether the ELOC Warrants display the three characteristics of a derivative under ASC 815, and concluded that the ELOC Warrants meet the definition of a derivative. However, the ELOC Warrants fail to meet the equity scope exception in ASC 815-10-15-74(a) and thus are classified as a liability measured at fair value, subject to remeasurement at each reporting period. This is on the basis that the ELOC Warrant includes certain cash-settlement features in the event of a tender offer, which is outside the control of the company, and that the exercise price is denominated in a currency other than the reporting entity's functional currency, and therefore the instrument is not considered indexed to the reporting entity's own stock. The Company measures the ELOC Warrants as a liability at fair value as at each reporting period with changes in fair value recognized as other (income) expense, net in the consolidated statements of operations and comprehensive income (loss).

The ELOC Warrants were classified as a level 3 financial instrument in the fair value hierarchy and were valued using the Black-Scholes option pricing model (BSOPM). The following table presents the fair value of the ELOC Warrants and the valuation assumptions under the BSOPM as of March 31, 2025 and at inception.

		March 31, 2025	At inception
Fair value	$	178	820
Exercise price	$	1.66	1.66
Common stock price	$	0.68	2.27
Expected option term (years)		4.43	5
Expected volatility		80%	60.0%
Risk free rate of return		3.86%	4.06%
Expected annual dividend yield		Nil	Nil

The changes in the fair value of the ELOC Warrant liability were a decrease of $642k for the nine months ended March 31, 2025.

Note 12 – Fair value of Financial Instruments (continued)

Convertible Debentures

The Company has accounted for the First Tranche Debenture as a financing transaction, wherein the net proceeds that were received were allocated to the financial instruments issued. Prior to making the accounting allocation, the Company evaluated the Convertible Debentures under ASC 815 Derivatives and Hedging ("ASC 815"). ASC 815 generally requires the analysis of embedded terms and features that have characteristics of derivatives to be evaluated for bifurcation and separate accounting in instances where their economic risks and characteristics are not clearly and closely related to the risks of the host contract.

The Company evaluated that the Conversion right meets the definition of a derivative under ASC 815-10-15-83. Further the Company evaluated that the Conversion right requires bifurcation from the debt host on the basis that it fails to meet the equity scope exception in ASC 815-10-15-74(a) and thus are classified as a liability measured at fair value, subject to remeasurement at each reporting period.

The Company evaluated that the First Tranche warrant is a detachable freestanding instrument. The First Tranche Warrant includes certain cash-settlement features in the event of a tender offer, which is outside the control of the company, and that the exercise price is denominated in a currency (USD) other than the reporting entity's functional currency (AUD), and thus fails to meet the equity scope exception in ASC 815-10-15-74(a). Therefore the instrument is not considered indexed to the reporting entity's own stock. As such the First Tranche Warrants are classified as a liability and measured at fair value, with changes in fair value each period reported in earnings.

The proceeds from issuing the Convertible Debentures were allocated first to the First Tranche Warrants based on its fair value. The proceeds allocated to the debt instrument was then further allocated between the debt host contract and the bifurcated derivative based on the fair value of that derivative as prescribed by ASC 815-15-30-2.

The proceeds of the transaction were initially allocated as follows:

	Amount (in thousands)
10% Original issue discount	333
Conversion rights (liability) at fair value	302
First Tranche Warrants (liability) at fair value	365
Debt issuance costs	122
Debt liability host	2,211
Face value	3,333

Debt discount and the debt issuance costs were capitalized to the carrying amount of the debt. Such costs are presented on the balance sheet as a direct deduction from that debt liability host.

The convertible debt was repaid in full on March 13, 2025, including the outstanding principal, interest, amounts and redemption premiums due as of February 28, 2025. The conversion rights is derecognized along with the debt repayment. The Company recognised a $994 loss on extinguishment of the debt host contract and the bifurcated derivative.

The First Tranche Warrants were classified as a level 3 financial instrument in the fair value hierarchy and were valued using the BSOPM. The following table presents the fair value of the First Tranche Warrants and the valuation assumptions under the BSOPM as of March 31, 2025 and at inception.

	March 31, 2025	**At inception**
Fair value	$ 132	$ 365
Exercise price	$ 1.89	$ 1.89
Common stock price	$ 0.68	$ 1.60
Expected option term (years)	4.53	4.9
Expected volatility	80%	60.0%
Risk free rate of return	3.87%	4.06%
Expected annual dividend yield	Nil	Nil

The changes in the fair value of the First Tranche Warrants liability were a decrease of $233k for the nine months ended March 31, 2025.

Note 12 – Fair value of Financial Instruments (continued)

Series A Warrants

Classification of the Series A Warrants as liability instruments was based on management's analysis of the guidance in ASC 815 and in a statement issued by the Staff of the SEC regarding the accounting and reporting considerations for warrants issued by special purpose acquisition companies entitled "Staff Statement on Accounting and Reporting Considerations for Warrants Issued by Special Purpose Acquisition Companies."

Management considered whether the Series A Warrants display the three characteristics of a derivative under ASC 815, and concluded that the Series A Warrants meet the definition of a derivative. However, the Series A Warrants fail to meet the equity scope exception in ASC 815-10-15-74(a) and thus are classified as a liability measured at fair value, subject to remeasurement at each reporting period. This is on the basis that the exercise price of the Series A Warrants is denominated in a currency other than the reporting entity's functional currency, and therefore the instrument is not considered indexed to the reporting entity's own stock. The Company measures the Series A Warrants as a liability at fair value as at each reporting period with changes in fair value recognized as other (income) expense, net in the Consolidated Statements of Operations and Comprehensive Income (Loss).

The Series A Warrants were classified as a level 3 financial instrument in the fair value hierarchy and were valued using the BSOPM. The following table presents the fair value of the Series A Warrants and the valuation assumptions under the BSOPM as of March 31, 2025 and at inception.

		March 31, 2025	At inception
Fair value	$	1,793	1,012
Exercise price	$	2.16	2.16
Common stock price	$	0.68	0.93
Expected option term (years)		3	3
Expected volatility		80.0%	80.0%
Risk free rate of return		3.82%	3.93%
Expected annual dividend yield		Nil	Nil

The changes in the fair value of the Series A Warrant liability were a decrease of $781k for the nine months ended March 31, 2025.

Note 13 – Debt

The table below presents details of the Company's debt as of the following periods:

	March 31, 2025 $	June 30, 2024 $
	(in thousands)	
Short-term debt		
FC Credit – 14.5% Facility agreement due 2025	1,397	-

Note 13 – Debt (continued)

FC Credit – 14.5% Facility agreement due 2025

On October 9, 2024, the Company entered into a Facility Agreement with FC Credit Pty Ltd, pursuant to which, on October 10, 2024, the Company received approximately A$6.9 million as the initial drawdown amount.

This facility provides Incannex with immediate access to funds based on R&D expenses incurred during the 2023 and 2024 financial years, aligning with the end of the Australian financial year. The Research and Development Tax Incentive ("RDTI") program is a key program under the Australian government's innovation framework, designed to encourage companies to undertake R&D activities that benefit Australia. It offers a tax rebate, currently at 48.5%, for eligible R&D expenses, allowing companies to recoup almost half of their R&D spending.

Note 14 – Income Tax

For the nine months ended March 31, 2025, and March 31, 2024, respectively, the Company did not recognize a provision or benefit for income taxes as it incurred net losses. In addition, the net deferred tax assets generated from net operating losses were fully offset by a valuation allowance as the Company believes it is not more likely than not that the benefit will be realized.

Note 15 – Loss per share

Basic and diluted net loss per share attributable to stockholders was calculated as follows (in thousands, except share and per share amounts):

	For the nine months ended March 31,	
	2025	**2024**
	$	**$**
Basic and diluted loss per share – (dollars per share)	(0.84)	(0.76)
The loss and weighted average number of common stock used in the calculation of basic loss per share is as follows:		
Total comprehensive loss for the year (in thousands)	(15,282)	(11,998)
- Weighted average number of common stock (number)	18,238,863	15,873,113

	For the three months ended March 31,	
	2025	**2024**
	$	**$**
Basic and diluted loss per share – (dollars per share)	(0.20)	(0.38)
The loss and weighted average number of common stock used in the calculation of basic loss per share is as follows:		
Total comprehensive loss for the year (in thousands)	(3,968)	(6,031)
- Weighted average number of common stock (number)	19,632,539	15,873,113

The Company notes that the diluted loss per share is the same as basic loss per share.

Note 16 – Related Party Transactions

Transactions between related parties are on commercial terms and conditions, no more favorable than those available to other parties unless otherwise stated.

There were no amounts payable to any related parties as of March 31, 2025 and June 30, 2024.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q (this "Quarterly Report"). This Quarterly Report contains forward-looking statements. This discussion and analysis contain forward looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in the "Risk Factors" section in our Annual Report on Form 10-K, as filed with the SEC on September 30, 2024 (the "2024 Annual Report") and this Quarterly Report. We caution the reader not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date of this Quarterly Report. We undertake no obligation to update forward-looking statements, which reflect events or circumstances occurring after the date of this Quarterly Report.

Our accounting policies under U.S. GAAP are referred to in Note 1 of the unaudited condensed consolidated financial statements in this Quarterly Report. All amounts are in United States dollars, unless otherwise indicated.

Overview

We are a clinical-stage biopharmaceutical development company dedicated to developing innovative medicines for patients living with serious chronic diseases and significant unmet needs. Our lead drug candidates, which are currently in Phase 2/3 and Phase 2 clinical developments, include IHL-42X for the treatment of OSA; PSX-001, our psilocybin treatment in combination with psychological therapy in development to treat patients with GAD; and IHL-675A for rheumatoid arthritis. Each of these programs target conditions that currently have limited, inadequate, or no approved pharmaceutical treatment options.

Recent Developments

Equity-Line of Credit Purchase Agreement

On September 6, 2024, we entered into an equity line of credit Purchase Agreement (the "ELOC Purchase Agreement") with Arena Business Solutions Global SPC II, Ltd ("Arena Global"). Under the ELOC Purchase Agreement Arena Global has committed to purchase up to $50 million of our common stock par value $0.0001 per share, at our direction from time to time, subject to the satisfaction of the conditions in the ELOC Purchase Agreement. The purchase price per share of our common stock is obtained by multiplying by 96% the daily volume weighted average price ("VWAP") on The Nasdaq Global Market ("Nasdaq") for the trading day specified in the sale notice (same trading day or one trading day following such notice) delivered to Arena Global. The ELOC Purchase Agreement will terminate automatically upon the earliest to occur of (i) the first day of the month next following the 36-month anniversary of the date of the ELOC Purchase Agreement; or (ii) the date on which Arena Global shall have purchased shares of our common stock under the ELOC Purchase Agreement for an aggregate gross purchase price equal to the Commitment Amount (as defined in the ELOC Purchase Agreement). In connection with the ELOC Purchase Agreement we agreed, among other things to issue to Arena Global, as a commitment fee, that number of shares of our common stock equal to 250,000 divided by the simple average of the daily VWAP of our common stock during the five trading days immediately preceding the effectiveness of a "shelf" registration statement on Form S-3 on which the estimated number of shares of our common stock are registered. As additional consideration for Arena Global's execution and delivery of the ELOC Purchase Agreement, we issued on October 31, 2024, a five-year warrant (the "ELOC Warrant") exercisable for 585,000 shares of our common stock with an exercise price equal to $1.66 per share. However, we may not sell common stock to Arena Global under the ELOC Purchase Agreement if (i) a shelf Registration Statement on Form S-3 that registers the common stock issuable under the ELOC Purchase Agreement has not been declared effective by the SEC; (ii) the number of shares of our common stock issuable to Arena Global pursuant to a sale notice causes the aggregate number of shares of our common stock beneficially owned by Arena Global and its affiliates would exceed 9.99% of the number of shares of our common stock then outstanding; (iii) the Shareholder Approval (as defined in the ELOC Purchase Agreement) to issue Common Stock in excess of the Exchange Cap (a cap limiting the issuance of shares pursuant to the ELOC Purchase Agreement and ELOC Warrant to 19.99% of the Company's issued and outstanding shares on the date of the ELOC Purchase Agreement (3,526,802 shares of Common Stock) to the extent such prior stockholder approval would be required for compliance with the rules and regulations of Nasdaq); or (iv) such sale of shares of our common stock would exceed, during any 12-month period, one-third of the Company's public float under the SEC's "baby shelf" rule for SEC-registered transactions by an issuer with a public float under $75 million when using a "shelf" registration statement on Form S-3. On November 6, 2024, we filed a registration statement on Form S-3 (333-283025) registering for resale up to 61,389,758 shares of our common stock (the "Resale Registration Statement"), including the issuances to be made under the ELOC Purchase Agreement.

Convertible Debenture Financing

On September 6, 2024, we entered into that certain Securities Purchase Agreement (the "September 2024 Purchase Agreement") with Arena Investors, LP ("Arena Investors") pursuant to which we will issue secured convertible debentures in an aggregate principal amount of up to $10 million at an aggregate purchase price of up to $9 million, divided into three separate tranches that are each subject to closing conditions, with a 10% original issue discount (the "September 2024 Debentures"). The conversion price of each September 2024 Debenture would be equal to 115% of the closing price of our common stock on the trading day preceding the date of the issuance of the respective September 2024 Debenture, subject to adjustments related to the trading price of our common stock on Nasdaq.

Pursuant to the September 2024 Purchase Agreement, we and certain of our subsidiaries (the "Subsidiaries") and Arena Special Opportunities (Offshore) Master II LP ("Arena Opportunities") entered into a security agreement effective as of October 14, 2024 (the "Security Agreement"), pursuant to which we (i) pledged the equity interests in the Subsidiaries and (ii) granted to Arena Opportunities a security interest in, among other items, all of our owned assets, whether currently owned or later acquired, and all proceeds therefrom (the "Assets"), as set forth in the Security Agreement. In addition, our Subsidiary, Incannex Healthcare Pty Ltd (IHPL) entered into a patent security agreement (the "Patent Security Agreement") and a trademark security agreement (the "Trademark Security Agreement"), each effective as of October 14, 2024, pursuant to which IHPL granted to the investors a security interest in its patents, patent applications, and all proceeds therefrom and a security interest in its trademarks, trademark applications, and all proceeds therefrom, respectively. In addition, pursuant to the Security Agreement, the Subsidiaries granted to Arena Opportunities a security interest in its Assets and, pursuant to a Subsidiary Guarantee effective as of October 14, 2024 (the "Subsidiary Guarantee"), jointly and severally agreed to guarantee and act as surety for our obligation to repay the Debentures and other obligations under the other transaction documents.

As additional consideration for the Purchaser's purchase of each September 2024 Debenture, we will issue a warrant (a "September 2024 Debenture Warrant"), with a five year expiration, each exercisable for number of shares of our common stock equal to 25% of the total principal amount of the related September 2024 September 2024 Debenture purchased by the Purchaser on the applicable closing date divided by 115% of the closing price of our common stock on the trading day immediately preceding such closing date. We are not obligated to issue a September 2024 Debenture Warrant with respect to any September 2024 Debenture tranche that does not close. The exercise price of each September 2024 Debenture Warrant will be 115% of the closing price of our common stock on its issuance date.

We must register the shares of our common stock issuable upon conversion of the September 2024 Debentures and exercise of the September 2024 Debenture Warrants. However, the issuance of the common stock underlying the September 2024 Debenture and the September 2024 Debenture Warrants are subject to stockholder approval to the extent the issuance would exceed 19.99% of the number of shares of our common stock outstanding as of the date of the September 2024 Purchase Agreement.

As described in Note 16 of the Financial Statements included in this Quarterly Report, on October 17, 2024, we completed the closing of the first tranche for the issuance of a 10% original issue discount secured convertible debenture (the "First Tranche Debenture") in the principal amount of $3,333,333 at an aggregate purchase price of $3 million, with 10% original issue discount and payment-in-kind interest rate at 5%, to Arena Opportunities pursuant to the September 2024 Purchase Agreement. The First Tranche Debenture matures on April 14, 2026. In addition, we issued a warrant to Arena Investors exercisable for up to 453,749 shares of common stock (the "First Tranche Warrant"). The exercise price of the First Tranche Warrant is $1.89 per share.

The net proceeds received from the issuance of the First Tranche Debenture, after deduction of expenses reimbursable to the Arena Investors, was $2,877,588.

Pursuant to the September 2024 Purchase Agreement, we and Arena Opportunities entered into a registration rights agreement (the "Registration Rights Agreement"), pursuant to which we agreed to file with the SEC a registration statement on Form S-3 after the closing of each tranche of the debenture to register for resale the shares of common stock issued upon conversion of the applicable debenture and the shares issuable upon exercise of any warrants issued in the applicable closing, within 20 calendar days after the closing date of the first tranche (the "Filing Deadline") and to have such registration statement declared effective within 60 days after the Filing Deadline (or in the event of full review by the SEC, within 90 calendar days after the Filing Deadline). On November 6, 2024, we filed with the SEC the Resale Registration Statement, registering for resale up to 61,389,758 shares of common stock, including up to 10,101,009 shares of common stock issuable upon conversion of the First Tranche Debenture and up to 453,749 shares of common stock issuable upon the exercise of the First Tranche Warrant.

Facility Agreement

On October 9, 2024, we entered into a Facility Agreement (the "Facility Agreement") with FC Credit Pty Ltd ("FC Credit"), pursuant to which FC Credit will provide a term loan facility for up to $4.7 million (the "Loan Facility"). On October 10, 2024, we received approximately $4.6 million as the initial drawdown amount, after deducting certain fees payable by us under the Facility Agreement. The Loan Facility has a term of 12 months from the date of the initial drawdown (the "Final Repayment Date"). Interest under the Loan Facility will accrue at the rate of 14.5% per annum and is payable on the last date of each calendar month and on the Final Repayment Date.

This facility provides us with immediate access to funds based on research and development expenses incurred during the 2023 and 2024 financial years, aligning with the end of the Australian financial year. The Research and Development Tax Incentive ("RDTI") program is a key program under the Australian government's innovation framework, designed to encourage companies to undertake research and development activities that benefit Australia. It offers a tax rebate, currently at 48.5%, for eligible research and development expenses, allowing companies to recoup almost half of their research and development spending.

Results of Operations

Comparison of the Three and Nine Months Ended March 31, 2025 and 2024

The following tables summarize our results of operations for the periods presented (in thousands):

	For the Three Months Ended March 31				For the Nine Months Ended March 31			
	2025	2024	$ Change	% Change	2025	2024	$ Change	% Change
Revenue from customers	$ -	$ -	$ -	-	$ 86	$ -	$ 86	100%
Operating expenses:								
Research and development	(2,735)	(3,277)	542	(17)%	(7,045)	(8,520)	1,475	(17)%
General and administrative	(2,268)	(4,138)	1,870	(45)%	(9,302)	(11,777)	2,475	(21)%
Total operating expenses	(5,003)	(7,415)	2,412	(33)%	(16,347)	(20,297)	3,950	(19)%
Loss from operations	(5,003)	(7,415)	2,412	(33)%	(16,261)	(20,297)	4,036	(20)%
Other income / (expense):	-	-	-	-	-	-	-	-
R&D tax incentive	421	1,320	(899)	(68)%	2,188	8,150	(5,962)	(73)%
Foreign exchange gains (losses)	41	(11)	52	(473)%	(290)	(17)	(273)	1,606%
Interest income	4	75	(71)	(95)%	60	166	(106)	(64)%
Interest expense	(132)	-	(132)	(100)%	(303)	-	(303)	(100)%
Change in fair value of convertible rights	-	-	-	100%	(179)	-	(179)	(100)%
Change in fair value of warrant liabilities	1,824	-	1,824	100%	1,721	-	1,721	100%
Warrant issuance costs	(129)	-	(129)	(100)%	(129)	-	(129)	(100)%
Loss on extinguishment	(994)		(994)	(100)%	(994)	-	(994)	(100)%
Other expenses	(2)	-	(2)	(100)%	(1,095)	-	(1,095)	(100)%
Total other income / (expenses), net	1,035	1,384	(349)	(25)%	979	8,229	(7,250)	(88)%
Currency translation adjustment, net of tax	(88)	(820)	732	(89)%	(163)	(403)	240	(60)%
Comprehensive loss	$ (4,056)	$ (6,851)	$ 2,795	(41)%	$ (15,445)	$ (12,401)	$ (3,044)	25%

Revenue from Customers

We have generated revenue from Clarion Clinics for patient services for the three and nine months end March 31, 2025. However, we do not expect to generate material revenues unless and until our drug candidates are approved.

Operating Expenses

Research and development

Research and development expenses consist primarily of external and internal costs incurred in performing clinical and preclinical development activities.

Our R&D expenses include:

- external costs incurred under agreements with CROs, contract manufacturers, consultants and other third parties to conduct and support our clinical trials and preclinical studies; and

- internal costs, including R&D personnel-related expenses such as salaries, and benefits, as well as allocated facilities costs and dues and subscriptions.

We expense research and development costs as incurred.

Research and development expenses decreased by $0.5 million for the three months ended March 31, 2025 compared to the three months ended March 31, 2024. The decrease was primarily due to the completion of the IHL-42X safety and pharmacokinetics clinical trial and the pausing of patient recruitment in the Australian Phase 2 clinical trial for IHL-675A in rheumatoid arthritis. This decision was made to reallocate resources for the IHL675A program and focus on expanding research efforts in the United States, where an expedited regulatory pathway may be available. The primary R&D expense for the period was the Phase 2/3 RePOSA clinical trial investigating IHL-42X in patients with OSA.

Research and development expenses decreased by $1.5 million for the nine months ended March 31, 2025 compared to the nine months ended March 31, 2024. The decrease was primarily due to the completion of the IHL-42X safety and pharmacokinetics clinical trial and the pausing of patient recruitment in the Australian Phase 2 clinical trial for IHL-675A in rheumatoid arthritis. This decision was made to reallocate resources for the IHL-675A program and focus on expanding research efforts in the United States, where an expedited regulatory pathway may be available. The primary R&D expense for the period was the Phase 2/3 RePOSA clinical trial investigating IHL-42X in patients with OSA.

Although research and development activities are central to our business model, the successful development of our drug candidates is highly uncertain. There are numerous factors associated with the successful development of our drug candidates, including future trial design and various regulatory requirements, many of which cannot be determined with accuracy at this time based on our stage of development. In addition, future regulatory factors beyond our control may impact our clinical development programs. Drug candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later stage clinical trials. As a result, we expect our research and development expenses will increase substantially in connection with our ongoing and planned clinical and preclinical development activities in the near term and in the future to the extent our development activities are successful. At this time, we cannot accurately estimate or know the nature, timing and costs of the efforts that will be necessary to complete the preclinical and clinical development of our drug candidates. Our research and development expenses have varied, and our future research and development expenses may vary, significantly based on a wide variety of factors such as:

- the number and scope, rate of progress, expense and results of our clinical trials and preclinical studies, including any modifications to clinical development plans based on feedback that we may receive from regulatory authorities;

- per patient trial costs;

- the number of trials required for approval;

- the number of sites included in the trials;

- the countries in which the trials are conducted;
- the length of time required to enroll eligible patients;
- the number of patients that participate in the trials;
- the number of doses that patients receive;
- the drop-out or discontinuation rates of patients;
- the potential additional safety monitoring requested by regulatory agencies;
- the duration of patient participation in the trials and follow-up;
- the cost and timing of manufacturing of our drug candidates;
- the costs, if any, of obtaining third-party drugs for use in our combination trials;
- the extent of changes in government regulation and regulatory guidance;
- the efficacy and safety profile of our drug candidates;
- the timing, receipt, and terms of any approvals from applicable regulatory authorities; and
- the extent to which we establish additional collaboration, license, or other arrangements.

A change in the outcome of any of these variables with respect to the development of our drug candidates could significantly change the costs and timing associated with the development of that drug candidate. We may never succeed in obtaining regulatory approval for any drug candidate.

General and Administrative

General and administrative expenses consist primarily of personnel-related expenses finance and accounting, human resources and other administrative functions, including salaries, stock-based compensation and benefits for employees, legal fees, expenses relating to patent and corporate matters and professional fees paid for accounting, auditing, consulting and tax services, as well as facilities-related costs not otherwise included in research and development expenses and other costs such as insurance costs and travel expenses.

General and administrative expenses decreased by $1.9 million for the three months ended March 31, 2025, compared to the three months ended March 31, 2024. The decrease was primarily attributable to a decrease in employee benefits, resulting from a reduction in the amount of restricted stock issued to our directors and officers.

General and administrative expenses decreased by $2.5 million for the nine months ended March 31, 2025, compared to the nine months ended March 31, 2024. The decrease was primarily attributable to a decrease in employee benefits, resulting from a reduction in the amount of restricted stock issued to our directors and officers.

We anticipate our general and administrative expenses will increase substantially in the future as we expand our operations, including increasing our headcount to support our continued research and development activities and preparing for potential commercialization of our drug candidates. We also anticipate we will incur increased accounting, audit, legal, regulatory, compliance, director and officer insurance, and investor and public relations expenses associated with operating as a U.S. public company.

Other Income (Expense)

Benefit from R&D tax credit

We receive tax incentives from the Australian government for research and development activities. Subject to certain exclusions, the Australian Government tax incentives provide benefits for eligible research and development activities. Entities are entitled to either (i) a 48.5% refundable tax offset for eligible companies with an aggregated turnover of less than A$20 million per annum or (ii) a non-refundable 38.5% tax offset for all other eligible companies. Our aggregated turnover is less than A$20 million and not be controlled by one or more income tax exempt entities, we anticipate being entitled to a claim of 48.5% refundable tax offset for costs relating to eligible research and development activities during the year.

Benefit from R&D tax incentive decreased by $0.9 million for the three months ended March 31, 2025 compared to the three months ended March 31, 2024. The decrease was due to a lower estimate of our R&D tax incentive receivable for the three months ended March 31, 2025.

Benefit from R&D tax incentive decreased by $6.0 million for the nine months ended March 31, 2025 compared to the nine months ended March 31, 2024. The decrease was due to a lower estimate of our R&D tax incentive receivable for the nine months ended March 31, 2025.

Foreign exchange losses and Interest Income

Foreign exchange losses decreased by $0.1 million for the three months ended March 31, 2025, compared to the three months ended March 31, 2024, due to favourable currency exchange rates. Interest income decreased over the same period, reflecting lower interest received from cash deposits.

Foreign exchange losses increased by $0.3 million for the nine months ended March 31, 2025 compared to the nine months ended March 31, 2024, due to unfavorable currency exchange rates. Interest income decreased over the same period, reflecting lower interest received from cash deposits.

Currency translation adjustment, net of tax

Currency translation adjustment, net of tax, decreased by $0.7 million for the three months ended March 31, 2025, compared to the three months ended March 31, 2024. The decrease was due to the depreciation of the Australian dollar against the U.S. dollar. We maintain our consolidated financial statements in Australian dollars, our functional currency, while our financial statements are translated into U.S. dollars for reporting purposes.

Currency translation adjustment, net of tax decreased by $0.2 million for the nine months ended March 31, 2025, compared to the nine months ended March 31, 2024. The decrease was due to the depreciation of the Australian dollar against the U.S. dollar.

Liquidity and Capital Resources

Sources of Liquidity

We have incurred net losses since inception and expect to incur substantial and increasing losses in the future as we expand our R&D activities in an effort to move our drug candidates into later stages of development. Historically, we have funded our operations primarily through the sale of equity securities, proceeds from the exercise of options, tax grants from R&D activities and interest income.

We incurred total comprehensive losses of $16.2 million and $12.4 million for the nine months ended March 31, 2025 and nine months ended March 31, 2024, respectively. We incurred net losses of $15.3 million and $12.0 million for the nine months ended March 31, 2025 and nine months ended March 31, 2024, respectively. As of March 31, 2025, we had accumulated deficit of $126.0 million.

As of March 31, 2025, we had cash and cash equivalents of $6.7 million. We expect our negative cash flows from operating activities to continue and thus have determined that the losses and negative cash flows from operations and uncertainty in generating sufficient cash to meet our obligations and sustain our operations raise substantial doubt about our ability to continue as a going concern for at least one year from the issuance date of the financial statements included in this Quarterly Report. We do not currently have an update to our previously disclosed cash runway estimate. We have based our cash runway estimates on assumptions that may prove to be incorrect, and we could use our capital resources sooner than we currently expect.

For the nine months ended March 31, 2025, we experienced net cash used in operating activities of $11.0 million, a decrease of $1.2 million compared to the nine months ended March 31, 2024. As of March 31, 2025, we had cash and cash equivalents of $6.7 million, an increase of $0.8 million compared to our cash and cash equivalents as of June 30, 2024 of $5.9 million. As of March 31, 2025, our current assets exceed our current liabilities by $8.2 million, a $2.4 million decrease compared to the difference between our current assets and current liabilities as of June 30, 2024 of $10.6 million.

Going Concern

Refer to Note 2 – Basis of Presentation and Summary of Significant Accounting Policies – Going Concern Basis

Off-Balance Sheet Arrangements

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

Cash Flows

Comparison of cash flows for the for the nine months ended March 31, 2025 and nine months ended March 31, 2024

The following table summarizes our cash flows for the periods presented (in thousands):

	For the Nine Months Ended March 31, 2025	For the Nine Months Ended March 31, 2024
Net cash used in operating activities	$ (11,031)	$ (12,203)
Net cash used in investing activities	(8)	(274)
Net cash provided by financing activities	11,794	-
Net (decrease)/increase in cash	$ 755	$ (12,477)

Net cash flows from operating activities

Cash used in operating activities decreased by $1.2 million for the nine months ended March 31, 2025, compared to the nine months ended March 31, 2024. The decrease due to …

Net cash flows from investing activities

Cash used in investing activities decreased by $0.3 million for the nine months ended March 31, 2025 compared to the nine months ended March 31, 2024. The decrease was due to reduced spending on property, plant and equipment.

Cash flows from financing activities

Cash used in financing activities increased by $11.8 million for the nine months ended March 31, 2025 and the nine months ended March 31, 2024.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our unaudited interim condensed consolidated financial statements as of March 31, 2025, which have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). The preparation of these unaudited interim condensed consolidated financial statements requires our management to make judgments and estimates that affect the reported amounts of assets, liabilities, costs and expenses, and the disclosure of contingent assets and liabilities during the reporting periods. We base our estimates on historical experience, known trends and events, and various other factors we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are described in more detail in Note 2 to our consolidated financial statements described in the Company's Annual Report on Form 10-K, we believe the following accounting policies are those most critical to the judgments and estimates used in the preparation of our financial statements.

Stock Based Compensation

We account for stock-based compensation arrangements with employees and non-employees using a fair value method which requires the recognition of compensation expense for costs related to all stock-based payments including share options. The fair value method requires us to estimate the fair value of stock-based payment awards on the date of grant using an option-pricing model. We use either the trinomial pricing or Black-Scholes option-pricing model to estimate the fair value of options granted. Stock-based compensation awards are expensed using the graded vesting method over the requisite service period, which is generally the vesting period, for each separately vesting tranche. We have elected a policy of estimating forfeitures at grant date. Option valuation models, including the trinomial pricing and Black-Scholes option-pricing model, require the input of several assumptions. These inputs are subjective and generally require significant analysis and judgment to develop.

Research and development Costs

Research and development costs are expensed as incurred. Research and development costs consist of salaries, benefits and other personnel related costs including equity-based compensation expense, laboratory supplies, preclinical studies, clinical trials and related clinical manufacturing costs, costs related to manufacturing preparations, fees paid to other entities to conduct certain research and development activities on our behalf and allocated facility and other related costs.

Nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities are deferred and capitalized as prepaid expenses until the related goods are delivered or services are performed.

We record accrued liabilities for estimated costs of research and development activities conducted by third-party service providers, which include the conduct of preclinical studies and clinical trials, and contract manufacturing activities. We record the estimated costs of research and development activities based upon the estimated amount of services provided but not yet invoiced and includes these costs in trade and other payables on the consolidated balance sheets and within research and development expenses on the consolidated statements of operations and comprehensive loss.

We accrue for these costs based on factors such as estimates of the work completed and in accordance with agreements established with its third-party service providers. We make significant judgments and estimates in determining the accrued liabilities balance at the end of each reporting period. As actual costs become known, we adjust our accrued liabilities. We have not experienced any material differences between accrued costs and actual costs incurred.

Benefit from R&D Tax Incentive

Benefit from R&D tax credit consists of the R&D tax credit received in Australia, which is recorded within other income (expense), net. The Company recognizes grants once both of the following conditions are met: (i) the Company is able to comply with the relevant conditions of the grant and (ii) the grant is received.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a “smaller reporting company” (as defined by Item 10 of Regulation S-K), we are permitted to omit information required by this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e)) under the Exchange Act that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated, as of the end of the period covered by this Quarterly Report, the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2025, our disclosure controls and procedures were not effective at the reasonable assurance level due to the material weakness in internal control over financial reporting which existed as of March 31, 2025, relating to the documentation of accounting policies and procedures, particularly relating to the correct application of complex accounting measures as previously reported in our 2024 Annual Report.

A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Management has concluded that we did not maintain effective disclosure controls and procedures due to the material weakness in internal control over financial reporting which existed as of March 31, 2025, relating to the documentation of accounting policies and procedures, particularly relating to the correct application of complex accounting measures.

Remediation Efforts

The measures that we are undertaking to remediate the material weakness in internal control over financial reporting have and will include: (a) hiring qualified internal control personnel or consultants to manage the implementation of internal control policies, procedures and improvement of the internal audit function, as applicable; (b) developing and implementing written policies and procedures for accounting and financial reporting that meet the standards applied to public companies listed in the United States; and (c) conducting internal control training to management, key operations personnel and the accounting department, so that management and relevant personnel understand the requirements and elements of internal control over financial reporting mandated by the US securities laws.

We believe we have made progress in accordance with our remediation plan even though the material weaknesses will not be considered remediated until we have completed implementing the necessary additional applicable controls and operate with them for a sufficient period of time to allow management and our auditors to concluded that these controls are operating effectively.

We cannot determine when our remediation plan will be fully completed and we cannot provide any assurance that these remediation efforts will be successful or that our internal control over financial reporting will be effective as a result of these efforts.

Changes in Internal Control over Financial Reporting

Other than the remediation of the material weakness discussed above, there were no changes in our internal controls over financial reporting (as such term is defined in Rules 13a-15(d) and 15d-15(d) under the Exchange Act) that occurred during three months ended March 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may become involved in litigation or other legal proceedings arising in the ordinary course of our business. We are not currently a party to any material litigation or legal proceedings that, in the opinion of our management, are likely to have a material adverse effect on our business. Regardless of outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, negative publicity, reputational harm and other factors.

Item 1A. Risk Factors

There have been no material changes to the risk factors set forth in Part I, Item 1A, "Risk Factors," of the 2024 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Rule 10b5-1 trading arrangements

During the three months ended March 31, 2025, none of our directors or officers adopted or terminated "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K.

Item 6. Exhibits

The information required by this Item 6 is set forth on the Exhibit Index that immediately precedes the signature page to this report and is incorporated herein by reference.

Exhibit No.	Description
2.1	Deed of Amendment and Restatement to Scheme Implementation Deed, dated September 13, 2023, between Incannex Healthcare Limited and Incannex Healthcare Inc. (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed with the SEC on November 29, 2023).
3.1	Amended and Restated Certificate of Incorporation, as filed with the Secretary of State of the State of Delaware on July 31, 2023 (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed with the SEC on November 29, 2023).
3.2	Amended and Restated Bylaws, dated November 20, 2023 (incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K filed with the SEC on November 29, 2023).
4.1	First Tranche Warrant (incorporated by reference to Exhibit 4.3 of the Company's Registration Statement on Form S-3 filed with the SEC on November 6, 2024).
4.2	ELOC Warrant (incorporated by reference to Exhibit 4.4 of the Company's Registration Statement on Form S-3 filed with the SEC on November 6, 2024).
4.3	Form of Series A Warrant (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed with the SEC on March 10, 2025).
4.4	Form of Pre-Funded Warrant (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K f filed with the SEC on March 10, 2025).
10.1^	Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on March 10, 2025).
10.2^	Form of Registration Rights Agreement (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the SEC on March 10, 2025).
10.3	Form of Placement Agency Agreement (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed with the SEC on March 10, 2025).
10.4^	Sales Agreement (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on April 7, 2025).
31.1*	Certification of Principal Executive Officer Required Under Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Principal Financial Officer Required Under Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
32.1**	Certification of Principal Executive Officer and Principal Financial Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350.
32.2**	Certification of Principal Financial Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350.
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

* Filed herewith.

** Furnished herewith.

Indicates management contract or compensatory plan.

^ Certain schedules to this exhibit have been omitted pursuant to Item 601(a)(5) of Regulation S-K. Copies of the omitted schedules will be furnished to the SEC upon request.

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, thereunto duly authorized.

Incannex Healthcare Inc.

Date: May 15, 2025

By: /s/ Joel Latham
Joel Latham
Chief Executive Officer, Director and President

Date: May 15, 2025

By: /s/ Joseph Swan
Joseph Swan
Chief Financial Officer, Treasurer and Secretary

Exhibit 31.1

I, Joel Latham, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2025 of Incannex Healthcare Inc. (the "Company");

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

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

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

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

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

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

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

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

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

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

Date: May 15, 2025

By: /s/ Joel Latham
Name: Joel Latham
Title: President and Chief Executive Officer
(principal executive officer)

Exhibit 31.2

I, Joseph Swan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2025 of Incannex Healthcare Inc. (the "Company");

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

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

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

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

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

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

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

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

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

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

Date: May 15, 2025

By: /s/ Joseph Swan
Name: Joseph Swan
Title: Chief Financial Officer, Treasurer and Secretary
(principal financial and accounting officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES OXLEY ACT OF 2002

In connection with the Quarterly Report of Incannex Healthcare Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2025 (the "Report") as filed with the Securities and Exchange Commission on the date hereof, I, Joel Latham, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2025

By: /s/ Joel Latham
Name: Joel Latham
Title: President and Chief Executive Officer
(principal executive officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES OXLEY ACT OF 2002

In connection with the Quarterly Report of Incannex Healthcare Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2025 (the "Report") as filed with the Securities and Exchange Commission on the date hereof, I, Joseph Swan, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2025

By: /s/ Joseph Swan
Name: Joseph Swan
Title: Chief Financial Officer, Treasurer and Secretary
(principal financial and accounting officer)