

**BODY AND MIND, INC.**  
**(formerly DEPLOY TECHNOLOGIES INC.)**  
**MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL POSITION**  
**FOR THREE MONTHS ENDED OCTOBER 31, 2017**  
**Filed January 2, 2018**

The following is Management’s Discussion and Analysis (“MD&A”) of the results of operations and financial condition of Body and Mind, Inc. (formerly Deploy Technologies Inc.) (“BaM”, “Deploy” or the “Company”) for the three months ended October 31, 2017. This MD&A should be read in conjunction with the unaudited consolidated interim financial statements for the three months ended October 31, 2017 and the audited financial statements for the fiscal year ended July 31, 2017 which are prepared in accordance with International Financial Reporting Standards (“IFRS”). All amounts in this MD&A are expressed in U.S. Dollars unless otherwise indicated.

## **INTRODUCTION**

The Company is a development stage company and will employ a system of internal controls, consistent with reasonable costs, to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable, and timely financial information. These financial statements have been reviewed with management and have been approved for issuance by the Board of Directors on January 2, 2018. The Board of Directors is responsible for overseeing management's responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The MD&A provides readers with information essential to understand BaM’s current operations, results and financial performance, and to evaluate the future prospects of the Company. The preparation of the financial statements and related disclosures in conformity with IFRS requires management to make estimates that affect the reported amounts of assets, liabilities, revenue, expenses and contingencies.

Management bases its estimates on historical experience and on other assumptions that are believed, at the time, to be reasonable under the circumstances.

## **FORWARD-LOOKING STATEMENTS**

This MD&A contains forward-looking information based on management's best estimates and the current operating environment. These forward-looking statements relate to anticipated financial performance, business prospects and strategies. With the exception of historical data, information and statements in this report, certain information and statements in this report that covers expected results of the Company should be considered forward-looking.

Such forward-looking statements involve risks, uncertainties and other factors, which may cause actual results, performance or achievements of BaM to be materially different from future results, performance or achievements expected or implied by such forward-looking statements. Some of the factors contributing to this uncertainty are fluctuations in quarterly and annual results, the ability of BaM to identify, complete and then efficiently integrate acquisitions and strategic activities over the long term, demand for the products and service offered by BaM, industry price pressure, as well as market forces, economic cycle, and the strength of regional economies in Canada, United States and elsewhere where BaM conducts its business. The foregoing list of important factors is not exhausting.

## **OVERALL PERFORMANCE**

BaM is a development stage company. It has earned minimal revenues and has incurred losses to date. The Company's expenses have been limited to routine general and administrative costs. The Company reported a net loss of \$450,508 for the three months ended October 31, 2017, compared to a net loss of \$78,822 for the three months ended October 31, 2016.

On May 15, 2017, the Company entered into an assignment and novation agreement (the "Assignment Agreement") with Toro Pacific Management Inc. (the "Transferor") pursuant to which the Transferor assigned a letter of intent (the "LOI") effective May 12, 2017 to the Company in accordance with its terms. The Assignment Agreement and the LOI contemplate a business combination transaction (the "Acquisition") pursuant to which the Company will acquire all of the issued and outstanding securities of Nevada Medical Group LLC ("NMG"), an arm's length Nevada-based licensed producer of medical marijuana and owner of the Body & Mind brand.

As consideration for the Assignment Agreement, the Company will issue to the Transferor 1,000,000 common shares of the Company, on a post-Consolidated basis, at a deemed price of \$0.66 per share.

In connection with the assignment of the LOI, the Company will pay a deposit of \$50,000 to NMG, which is refundable in the event a condition precedent to closing is not fulfilled or waived, and is further to be created against the cash purchase price at closing.

On September 14, 2017, the Company and the Company's wholly-owned subsidiary, DEP Nevada Inc. ("NevadaCo"), entered into a definitive agreement (the "Share Exchange Agreement") with NMG. Pursuant to the Share Exchange Agreement, NevadaCo will acquire all of the issued and outstanding securities of NMG in exchange for the issuance of the Company's common shares and certain cash and other non-cash consideration, as further described below (the "Acquisition").

In connection with the Acquisition, the Company will complete a consolidation of common shares on a ratio of 3:1 (the "Consolidation") prior to closing the Acquisition and complete the Concurrent Financing (as described below).

The Company will complete a concurrent equity financing to raise aggregate gross proceeds of not less than \$4,000,000 through the issuance of subscription receipts (“Subscription Receipts”) with each Subscription Receipt convertible into one pre-Consolidation common share of the Company and one share-purchase warrant of the Company, at a price of \$0.22 per Subscription Receipt (the “Concurrent Financing”).

In consideration for all of the issued securities of NMG, the NMG securityholders (collectively, the “NMG Members”) will receive, on a pro rata basis, (a) 16,000,000 post-Consolidation common shares of the Company (“Payment Shares”) at a deemed price of \$0.66 per share (the “Share Exchange”), (b) \$2,000,000 cash, and (c) a non-interest bearing promissory note in the original principal amount of \$2,000,000 (the “Promissory Note”). The Promissory Note shall be secured by a senior priority security interest in all assets of the Company, to be paid at the earlier of fifteen (15) months from the closing date of the Acquisition or, if an equity or debt financing subsequent to the Concurrent Financing is closed in an aggregate amount of not less than \$5,000,000, then within 30 days of the closing date of such subsequent financing. The Company expects to assume NMG’s obligations pursuant to a loan in the amount of \$400,000, payable to TI Nevada, LLC, of which \$225,000 will be paid on Closing (as defined below) and the remaining \$175,000 will be paid within 15 months of the Closing Date (as defined below). Further, the Company will reimburse NMG (up to \$84,000) for expenditures incurred prior to the Closing Date which are related to the acquisition of production equipment.

On November 6, 2017, the Company received a conditional approval from the CSE for listing of the resulting issuer following the Acquisition. On November 14, 2017 the Company closed its Acquisition.

The Company’s financial condition and ability to pay operating costs is dependent on the private sale of its common shares and acceptance of its common shares in payment of executive compensation in lieu of cash to fund its operations. The level of the Company’s operations from period to period depends on the amount of funds available. The Company experiences a significant match between financial condition and its level of expenditures. Although it may experience a working capital surplus and cash flow surplus from time to time, typically these surpluses are a result of a mismatch between the period in which funds are received and expected use of the funds in immediately following periods. The Company’s financial condition over time is a close match between revenues raised and expenses incurred, with cash inflows and outflows evenly matched over periods.

BaM maintains current reporting and disclosure through SEDAR and the Canadian Securities Exchange (“CSE”).

## **RESULTS OF OPERATIONS**

### **Operating Expenses**

Operating expenses totaled \$376,717 for the three months ended October 31, 2017 compared with \$10,372 for the three months ended October 31, 2016. The change in general and administrative expenses relate to a number of factors, but mainly attributed to the process of finalizing its acquisition agreement with Nevada Medical Group LLC (“NMG”) which resulted in an increased professional fees and consulting fees.

Of the \$376,717 expenses for the three months ended October 31, 2017, a total of \$45,940 relates to management and consulting fees paid/accrued to the Chief Executive Officer, Chief Financial Officer and former Chief Executive Officer and \$3,600 relates to accounting fees paid/accrued to the former Chief Financial Officer and a director.

Another factor contributing to the change in the general and administrative expenses was the variation in exchange rates. The Company’s functional currency is the Canadian dollar and its reporting currency is the United States dollar.

### **Net Loss**

Net loss for the three months ended October 31, 2017 totaled \$450,508 compared with a net loss of \$78,822 for the three months ended October 31, 2016.

Other items, including foreign exchange loss, were similar for both periods.

The increase in net loss is mainly due to the increase in general and administrative expenses as discussed above.

### **Other Comprehensive Income**

The Company’s functional currency is the Canadian dollar and its reporting currency is the U.S. dollar. At each balance sheet date, assets and liabilities that are denominated in a currency other than U.S. dollars are adjusted to reflect the current exchange rate which may give rise to a foreign currency translation adjustment accounted for as a separate component of stockholders’ equity and included in other comprehensive income. The Company recorded translation adjustments of \$73,728 (loss) and \$76,001 (gain) for the three months ended October 31, 2017 and 2016, respectively. The amounts are included in the statement of operations as other comprehensive gain for the respective periods.

## **Total Assets**

The Company's total assets amounted to \$4,949,137 at October 31, 2017, compared with \$515,905 at July 31, 2017. The increase is largely attributable to the increase in cash as a result of the private placement that closed in April 2017 raising over \$900,000 in cash (CAD\$1,305,000) and various private placements related to the concurrent financing in connection to the Acquisition resulting in subscription receipts for aggregate proceeds of \$4,769,943 (CAD\$5,962,429). The Company also provided funds to NMG pursuant to the Acquisition that closed in November 2017.

## **Shareholders' Surplus/Deficiency**

Shareholders' equity amounted to \$4,568,130 at October 31, 2017, compared with an equity of \$322,423 at July 31, 2017. The change in the shareholders' equity is due to the increase in share capital and contributed surplus resulting from the April 2017 private placement as well as \$4,769,943 subscription receipts related to various private placements in connection with the Acquisition.

## **Authorized and Issued Shares:**

### ***Authorized Capital:***

As of the date of this report, the authorized capital of the Company consists of 900,000,000 Common Shares with a par value of \$0.0001.

On September 15, 2010, the Company changed its jurisdiction of incorporation to Nevada from Delaware as a result of a merger with its wholly owned subsidiary, and as a result reduced its authorized capital from 50,000,000 Common Shares to 10,000,000 Common Shares.

On September 29, 2011, the Company amended its Articles of Incorporation to authorize the issuance of up to 2,900,000 Class A Preferred Shares, each share having the following voting powers, designations, preferences, limitations, restrictions, and relative rights:

- a. Ten votes per share in *pari passu* with shares of common stock on all matters presented to the holders of the Company's equity securities for vote or approval;
- b. A right to receive dividends when, as and if declared by the board of directors, in *pari passu* with each share of common stock with the amount of such dividends determined by multiplying the dividend per share of common stock by ten;
- c. A right to receive distributions, whether or not in liquidation, in *pari passu* with each share of common stock with the amount of such distribution determined by multiplying the distribution per share of common stock by ten;
- d. Conversion into ten shares of common stock at the election of the Company or of the holder any time after two years of the date of issuance.

On July 2, 2014, the Company amended its Articles of Incorporation to revise the authorized Class A Preferred Shares from 2,900,000 to 20,000,000 with a par value of \$0.0001 per share.

On November 11, 2014, the Company's Board of Directors has approved a reverse split of its common stock on the basis of one (1) new share for ten (10) old shares as well as a reduction in its authorized capital from 100,000,000 shares of common stock to 10,000,000 shares.

On April 11, 2017, the Company revised the authorized capital of the Company to 900,000,000 common shares with a par value of \$0.0001.

In connection with the Acquisition, on November 14, 2017, the Company eliminated its authorized Class A Preferred shares and completed a consolidation of its common shares on the basis of three (3) pre-Consolidation common shares to one (1) post-Consolidation common share. Unless otherwise noted, all figures in the financial statements are retroactively adjusted to reflect the consolidation.

### ***Issued and Outstanding Shares***

19,137,658 Common Shares at October 31, 2017 (July 31, 2017 – 19,137,658).

Nil Class A Preferred Shares at October 31, 2017 (July 31, 2017 – Nil).

On March 13, 2017, a total of 150,000 Class A preferred shares were converted into 500,000 common shares of the Company.

On May 8, 2017, the remaining 2,325,500 Class A preferred shares were converted into 7,751,667 common shares of the Company.

On August 15, 2017 and August 16, 2017, the Company closed the first two of four tranches of a non-brokered private placement and issued 8,276,294 Subscription Receipts at a price of CAD\$0.66 per Subscription Receipt for aggregate gross proceeds of CAD\$5,462,369.

On October 31, 2017, the Company closed a third tranche of a non-brokered private placement and issued 757,666 Subscription Receipts at a price of CAD\$0.66 per Subscription Receipt for aggregate gross proceeds of CAD\$500,060.

On November 1, 2017, the Company closed a fourth and final tranche of a non-brokered private placement and issued 68,181 Subscription Receipts at a price of CAD\$0.66 per Subscription Receipt for aggregate gross proceeds of CAD\$45,000.

## **Related Party Transactions**

Except as disclosed elsewhere in the Company's financial statements, related party transactions for the three months ended October 31, 2017 and 2016 are as follows:

- a) During the three months ended October 31, 2017, accounting fees of \$3,600 (2016 - \$2,669) were paid/accrued to the former Chief Executive Officer and a director of the Company.
- b) During the three months ended October 31, 2017, consulting fees of \$24,000 (2016 - \$Nil) were paid/accrued to a company controlled by the Chief Executive Officer of the Company.
- c) During the three months ended October 31, 2017, management fees of \$12,000 (2016 - \$Nil) were paid/accrued to the Chief Financial Officer of the Company.
- d) During the three months ended October 31, 2017, management fees of \$2,740 (2016 - \$Nil) were paid/accrued to the former Chief Executive Officer of the Company.
- e) During the three months ended October 31, 2017, management fees of \$7,200 (2016 - \$Nil) were paid/accrued to the former Chief Financial Officer of the Company.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## **Cash Flow Information**

### **a) Operating Activities**

Cash flow used in operating activities totaled \$288,969 and \$79,107 during the three months ended October 31, 2017 and 2016, respectively. Cash used in operating activities increased significantly in 2017 as a result of the Company's finalization of the Assignment Agreement and the Share Exchange Agreement with NMG.

### **b) Investing Activities**

Pursuant to the Share Exchange Agreement, the Company provided additional \$92,674 to NMG during the three months ended October 31, 2017. There were no investing activities in 2016.

### c) Financing Activities

From August 2017 to November 2017, as part of the Concurrent Financing requirement of the Share Exchange Agreement with NMG, the Company raised CAD\$6,007,429 by issuing 9,102,165 Subscription Receipts at a price of \$0.66 per Subscription Receipt. Each Subscription Receipt convertible into one common share of the Company and one share purchase warrant of the Company exercisable at a price of \$0.90 for a period of 24 months from the date of issuance.

### SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's quarterly results for each of its eight most recently completed quarters.

|   | Quarters Ended        |                    |                     |                       |                       |                    |                     |                       |
|---|-----------------------|--------------------|---------------------|-----------------------|-----------------------|--------------------|---------------------|-----------------------|
|   | 31<br>October<br>2017 | 31<br>July<br>2017 | 30<br>April<br>2017 | 31<br>January<br>2017 | 31<br>October<br>2016 | 31<br>July<br>2016 | 30<br>April<br>2016 | 31<br>January<br>2016 |
| Net Income (Loss)                               | \$ (450,508)          | \$ (214,324)       | \$ (31,145)         | \$ (32,777)           | \$ (78,822)           | \$ 612,631         | \$ (19,416)         | \$ (41,064)           |
| Foreign Currency Translation Adjustment         | \$ (73,728)           | \$ 34,683          | \$ (9,482)          | \$ (11,123)           | \$ 76,001             | \$ 50,554          | \$ (108,338)        | \$ 63,694             |
| Comprehensive Income (Loss)                     | \$ (524,236)          | \$ (179,641)       | \$ (40,627)         | \$ (43,900)           | \$ (2,821)            | \$ 663,185         | \$ (127,754)        | \$ 22,630             |
| Basic and Fully Diluted Income (Loss) per share | \$ (0.02)             | \$ (0.03)          | \$ (0.01)           | \$ (0.01)             | \$ (0.03)             | \$ 0.28            | \$ (0.01)           | \$ (0.02)             |
| Weighted average number of shares outstanding   | 19,137,658            | 6,628,958          | 3,546,218           | 2,185,991             | 2,185,991             | 2,185,991          | 2,185,991           | 2,185,991             |

During the fourth quarter ended July 31, 2017, the Company's General and Administrative expenses were \$221,982, of which \$127,766 relates to consulting fees in connection with the Share Exchange Agreement with NMG. The increased consulting and professional fees continued into the first quarter ended October 31, 2017.

During the fourth quarter ended July 31, 2016, the Company recorded a gain of \$651,053 from settlement of liabilities with its former officers and directors resulting in a significant net income for the quarter.

### LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital was \$4,371,961 as of October 31, 2017 and \$218,928 as of July 31, 2017. The working capital includes amounts owing to related parties of \$4,805 as of July 31, 2017, which was paid during the first quarter ended October 31, 2017.



Working capital improved significantly during the first quarter ended October 31, 2017 as a result of \$4,769,943 subscription receipts received from August to October 2017 related to the concurrent financing in connection with the Acquisition of NMG.

There were no long-term payable as of October 31, 2017 and July 31, 2017.

## **SUBSEQUENT EVENTS**

Other than subsequent events already disclosed in this document, the following transactions occurred subsequent to October 31, 2017:

- a) On November 27, 2017, the Company issued an aggregate of 3,850,000 stock options in accordance with the Company's stock option plan at an exercise price of CDN \$0.66 per share for a five year term expiring November 24, 2022. The options were granted to officers, directors and consultants of the Company.
- b) On December 1, 2017, the Company closed a non-brokered private placement of 637,393 units at a price of CDN \$0.66 per unit for aggregate gross proceeds of CDN \$420,680. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of CDN \$0.90 per warrant for a period of 24 months from the closing.
- c) On December 18, 2017, the Company has reached an agreement with a real estate investment group, led by the Company's President, who will purchase a building adjacent to the existing facility and lease it back to a newly formed partnership called Pepper Lane North LLC ("PLN" or "Partnership") on a long-term basis with renewal options. PLN is a strategic partnership between the Company and one of the preeminent dispensary chains in the State of Nevada. The Company's partner will also transfer an active cultivation license to the facility and all expenditures under PLN will be funded on a 50/50 basis. The new facility will primarily consist of flowering rooms as production, packaging, distribution, and head office functions will remain at the existing facility. The Company has also earmarked approximately 4,000 square feet of frontage for a dispensary upon receipt of a retail license. It is contemplated that at least half of the sales under PLN will be sold to the Company's partner through their existing dispensary network. In addition, the Company has signed an operating and management agreement with PLN and will receive the greater of \$15,000/month or 10% of PLN's net profits.

Under the Partnership, each party has provided an initial capital contribution to PLN in the amount of \$250,000. These funds will first be applied as a non-refundable deposit towards securing the building lease of approximately 30,000 square feet located in close proximity to the Company's current operations in Las Vegas, Nevada. The new facility will require renovations and build-out costs of approximately \$3,700,000. The renovation and build-out costs will be funded by PLN on an equity interest basis and the Company expects the new facility to be operational in the latter part of 2018.

- a) On December 21, 2017, the Company and Friday Night Inc. ("Friday Night" or "TGIF") announced a Letter of Intent ("LOI") contemplating an all-stock acquisition. The transaction is expected to be structured by way of an amalgamation between the Company and a wholly owned Nevada subsidiary of TGIF, in which the shareholders of the Company will receive common shares in the capital of TGIF (the "TGIF Shares") in exchange for their shares of the Company ("BAM Shares"). The Company's common shares issued and outstanding at the date of signing the LOI was 47,704,269. On December 20, 2017, the date the LOI was executed, the closing share price of Friday Night Inc. was CDN \$1.00 per share. The LOI contemplates TGIF issuing 115,000,000 common shares to the BAM shareholders plus such additional shares as may be issuable upon exercise of currently issued convertible securities of the Company. The final structure of the transaction will be subject to advice from the Company and TGIF tax, financial and legal advisors. The parties anticipate completing the Transaction on or about March 31, 2018. The agreement is subject to closing conditions normal for a transaction of this type, including due diligence, BAM shareholder and CSE approvals.
  
- a) Subsequent to the period end, the Company amended its authorized share capital to 900,000,000 Common Shares, with a \$0.0001 par value per share.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Company classifies all financial instruments as either financial assets or liabilities at fair value through profit or loss ("FVTPL"), held to maturity, loans and receivables, available-for-sale and other financial liabilities. Loans and receivables and other financial liabilities are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in accumulated other comprehensive income. FVTPL instruments are measured at fair value with unrealized gains and losses recognized on the statement of loss and comprehensive loss.

The Company has designated cash as FVTPL, which is measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Trade payables and loans payable are classified as other financial liabilities which are measured at amortized cost.

## **FINANCIAL AND DISCLOSURE CONTROLS AND PROCEDURES**

During the three months ended October 31, 2017, there has been no significant change in the Company's internal control over financial reporting since last year.

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. They are also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the Company's financial statements for the period ended October 31, 2017 (together the "Interim Filings").

The Chief Executive Officer and Chief Financial Officer of the Company have filed the Venture Issuer Basic Certificate with the Annual Filings on SEDAR at [www.sedar.com](http://www.sedar.com).

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the venture issuer basic certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

## **GOING CONCERN**

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and are stated in U.S. dollars. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for the period necessarily involves the use of estimates, which have been made using careful judgment. Actual results may vary from these estimates.

Management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive, or raise additional debt and/or equity capital. However, based on its demonstrated ability to raise capital in the past, management believes that the Company's capital resources should be adequate to continue operating and maintain its business strategy during fiscal 2018.

Realizable values may be substantially different from carrying values as shown in the financial statements should the Company be unable to continue as a going concern. The financial

statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

## **OUTLOOK**

During the year ended July 31, 2017 and three months ended October 31, 2017, the Company raised sufficient capital to fulfill its reporting and disclosure obligations.

In November 2017, the Company completed the acquisition of NMG as well as the concurrent financing. The acquisition represents a “fundamental change” and will be structured as a business combination.

On November 6, 2017, the Company received a conditional approval from the CSE for listing of the resulting issuer following the business combination. The Company now shifts its focus to its new business, being the Nevada-based licensed producer of medical marijuana.

**Darren Tindale, Chief Financial Officer**

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