EDGAR SUBMISSION SUMMARY

Submission Type	10-Q
Live File	On
Return Copy	On
Exchange	NONE
Confirming Copy	Off
Filer CIK	0001715611
Filer CCC	xxxxxxxx
Period of Report	01-31-2019
Smaller Reporting Company	On
Emerging Growth Company	Yes
Elected not to use the extended transition period for complying with any new or revised financial accounting standards	Yes
Notify via Filing website Only	Off
Emails	filings@pubcoreporting.com; Michael.Shannon@mcmillan.ca; stonerockltd@gmail.com

Documents

Form Type	File Name	Description
10-Q	bmmj_10q.htm	FORM 10-Q
EX-31.1	bmmj_ex311.htm	EX-31.1
EX-31.2	bmmj_ex312.htm	EX-31.2
EX-32.1	bmmj_ex321.htm	EX-32.1
EX-101.INS	bmmj-20190131.xml	XBRL INSTANCE DOCUMENT
EX-101.SCH	bmmj-20190131.xsd	XBRL TAXONOMY EXTENSION SCHEMA
EX-101.CAL	bmmj-20190131_cal.xml	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
EX-101.DEF	bmmj-20190131_def.xml	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE
EX-101.LAB	bmmj-20190131_lab.xml	XBRL TAXONOMY EXTENSION LABEL LINKBASE
EX-101.PRE	bmmj-20190131_pre.xml	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE

Module and Segment References

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 January 31, 2019

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: **000-55940**

BODY AND MIND INC.

(Exact name of registrant as specified in its charter)

NEVADA	**98-1319227**
(State or other jurisdiction of organization)	(I.R.S. employer identification no.)
750 – 1095 West Pender Street **Vancouver, British Columbia, Canada**	**V6E 2M6**
(Address of principal executive offices)	(Zip code)

(604) 376-3567
(Registrant's telephone number, including area code)

None
(Former name, former address, and former fiscal year, if changed since last report)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See 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	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☒
			Emerging growth company	☒

If an emerging growth company, indicate by checkmark 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 Act). Yes ☐ No ☒

The number of shares of Common Stock, $0.0001 par value, of the registrant outstanding at March 25, 2019, was 72,628,084.

BODY AND MIND INC.
FORM 10-Q
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PART 1. FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED INTERIM FINANCIAL STATEMENT

Body and Mind Inc. Statement 1

Consolidated Interim Balance Sheets
(U.S. Dollars)

ASSETS	As at 31 January 2019 (Unaudited)	As at 31 July 2018
Current		
Cash and cash equivalents	$ 2,718,739	$ 324,837
Amounts receivable	779,063	632,477
Prepaids	78,176	99,014
Inventory *(Note 5)*	1,568,591	953,417
Total Current Assets	5,144,569	2,009,745
Investment in NMG Ohio LLC *(Note 16)*	2,106,431	77,600
Investment in GLDH *(Note 17)*	5,752,180	-
Property and Equipment *(Note 6)*	2,619,757	2,615,898
Brand and Licenses *(Note 13)*	8,172,000	8,172,000
Goodwill *(Note 13)*	2,635,721	2,635,721
TOTAL ASSETS	$ 26,430,658	$ 15,510,964
LIABILITIES		
Current		
Accounts payables	$ 813,903	$ 447,703
Accrued liabilities	95,238	95,481
Income taxes	462,306	239,358
Due to related parties *(Note 7)*	5,592	51,081
Notes payable *(Note 8)*	4,342,362	2,175,000
Total Current Liabilities	5,719,401	3,008,623
Convertible Debenture *(Note 9)*	1,161,500	-
Deferred Tax Liability	1,716,120	1,716,120
TOTAL LIABILITIES	8,597,021	4,724,743
STOCKHOLDERS' EQUITY		
Capital Stock– *Statement 3 (Note 10)*		
Authorized:		
900,000,000 Common Shares – Par Value $0.0001		
Issued and Outstanding:		
72,628,084 (31July2018 – 47,774,817) Common Shares	7,263	4,778
Additional Paid-in Capital	26,690,455	16,918,082
Shares to be Issued *(Note 13)*	75,939	103,267
Subscriptions receivable	(787,123)	-
Equity component of convertible debenture	88,797	-
Other Comprehensive Income	506,091	532,405
Deficit	(8,747,785)	(6,772,311)
TOTAL STOCKHOLDERS' EQUITY	17,833,637	10,786,221
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 26,430,658	$ 15,510,964

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

Body and Mind Inc. Statement 2

Consolidated Interim Statements of Operations
(Unaudited)
(U.S. Dollars)

	Three Month Period Ended 31 January		Six Month Period Ended 31 January	
	2019	**2018**	**2019**	**2018**
Sales	$ 1,195,745	$ 831,455	$ 2,521,723	$ 831,455
Sales tax	(115,927)	-	(247,346)	-
Cost of sales	(575,948)	(268,175)	(1,313,569)	(268,175)
	503,870	563,280	960,808	563,280
General and Administrative Expenses				
Accounting and legal *(Note 7)*	218,899	120,123	297,280	146,856
Consulting fees *(Note 15)*	107,687	64,592	110,287	117,152
Depreciation	3,348	1,575	6,488	1,575
Insurance	16,538	4,935	38,776	4,935
Interest expense	202,065	-	202,017	-
Listing fees	-	271,408	-	471,408
Management fees *(Note 7)*	114,430	94,086	167,274	116,026
Office and miscellaneous	325,527	131,263	410,619	193,425
Regulatory, filing and transfer agent fees	41,853	5,057	49,049	15,907
Rent	18,000	11,000	36,362	11,000
Salaries and wages	188,965	96,341	383,140	96,341
Stock-based compensation *(Note 10)*	870,808	733,679	870,808	733,679
Travel	11,703	2,087	13,726	4,559
	(2,119,823)	(1,536,146)	(2,585,826)	(1,912,863)
Loss Before Other Items	(1,615,953)	(972,866)	(1,625,018)	(1,349,583)
Other Items				
Foreign exchange, net	(24,393)	3,434	(95,949)	(69,469)
Loss of equity investee *(Note 16)*	(23,939)	-	(31,559)	-
Write off of amounts receivable	-	5	-	(883)
Net Loss for the Period Before Income Tax	(1,664,285)	(969,427)	(1,752,526)	(1,419,935)
Income tax expense	(99,394)	-	(222,948)	-
Net Loss for the Period	(1,763,679)	(969,427)	(1,975,474)	(1,419,935)
Other Comprehensive Income (Loss)				
Foreign currency translation adjustment	(120,725)	206,648	(26,314)	132,920
Comprehensive Loss for the Period	$ (1,884,404)	$ (762,779)	$ (2,001,788)	$ (1,287,015)
Loss per Share – Basic and Diluted	$ (0.03)	$ (0.02)	$ (0.03)	$ (0.05)
Weighted Average Number of Shares Outstanding	66,697,215	43,239,457	57,236,016	31,188,620

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

Body and Mind Inc. Statement 3

Consolidated Interim Statements of Changes in Stockholders' Equity

(Unaudited)

(U.S. Dollars)

	Share Capital		Additional			Equity component of	Other		
	Common Shares		Paid-in	Shares to be	Subscriptions	Convertible	Comprehensive		
	Number	Amount	Capital	Issued	Receivable	debenture	Income	Deficit	Total
Balance – 31 July 2017	19,137,783	$ 1,914	$ 4,954,932	$ -	$ -	$ -	356,828	$ (4,991,251)	$ 322,423
Private placements *(Note 10)*	9,739,534	974	5,025,520	-	-	-	-	-	5,026,494
Acquisition of Nevada Medical Group LLC *(Notes 10 and 13)*	18,827,000	1,883	6,335,482	135,202	-	-	-	-	6,472,567
Share issue costs	-	-	(219,459)	-	-	-	-	-	(219,459)
Issuance of escrowed shares *(Notes 10 and 13)*	70,500	7	31,928	(31,935)	-	-	-	-	-
Stock-based compensation *(Note 10)*	-	-	789,679	-	-	-	-	-	789,679
Foreign currency translation adjustment	-	-	-	-	-	-	175,577	-	175,577
Loss for the period	-	-	-	-	-	-	-	(1,781,060)	(1,781,060)
Balance – 31 July 2018	47,774,817	4,778	16,918,082	103,267	-	-	532,405	(6,772,311)	10,786,221
Private placement *(Note 10)*	16,000,000	1,600	4,882,240	-	-	-	-	-	4,883,840
Exercise of warrants *(Note 10)*	3,206,160	321	1,204,875	-	-	-	-	-	1,205,196
Issuance of escrowed shares *(Note 10)*	70,500	7	27,321	(27,328)	-	-	-	-	-
Share issue costs	322,581	31	(270,767)	-	-	-	-	-	(270,736)
Finance fee for promissory note *(Note 8)*	1,105,083	111	822,383	-	-	-	-	-	822,494
Investment agreement with Australis *(Note 15)*	1,768,545	177	786,946	-	(787,123)	-	-	-	-
Acquisition of NMG Ohio LLC *(Note 16)*	2,380,398	238	1,448,567	-	-	-	-	-	1,448,805
Equity component of convertible debenture *(Note 9)*	-	-	-	-	-	88,797	-	-	88,797
Stock-based compensation *(Note 10)*	-	-	870,808	-	-	-	-	-	870,808
Foreign currency translation adjustment	-	-	-	-	-	-	(26,314)	-	(26,314)
Loss for the period	-	-	-	-	-	-	-	(1,975,474)	(1,975,474)
Balance – 31 January 2019	72,628,084	$ 7,263	$ 26,690,455	$ 75,939	$ (787,123)	$ 88,797	$ 506,091	$ (8,747,785)	$ 17,833,637

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

Body and Mind Inc. Statement 4

Consolidated Interim Statements of Cash Flows
(Unaudited)
(U.S. Dollars)

Cash Resources Provided By (Used In)	Six Month Period Ended 31 January 2019	Six Month Period Ended 31 January 2018
Operating Activities		
Loss for the period	$ (1,975,474)	$ (1,419,935)
Items not affecting cash:		
Accrued interest and accretion	207,222	-
Depreciation	141,901	1,575
Foreign exchange	2,386	-
Income tax	222,948	-
Loss of equity investee	31,559	-
Stock-based compensation	870,808	733,679
Write off of amounts receivable	-	883
Amounts receivable and prepaids	(125,748)	(298,713)
Inventory	(615,174)	(104,034)
Trade payables and accrued liabilities	369,957	(65,702)
Due to related parties	(45,489)	7,675
	(915,104)	(1,144,572)
Investing Activities		
Business combination, net of cash acquired	-	(2,444,663)
Pepper Lane North deposits	-	(250,000)
Investment in NMG Ohio, LLC	(612,619)	-
Investment in GLDH	(5,752,180)	-
Purchase of property and equipment	(145,760)	(85,335)
	(6,510,559)	(2,779,998)
Financing Activities		
Issuance of shares, net of share issue costs	5,818,300	5,103,656
Loans obtained	5,202,579	-
Loans repaid	(1,175,000)	-
	9,845,879	5,103,656
Effect of exchange rate changes on cash	(26,314)	132,920
Net Increase in Cash	2,393,902	1,312,006
Cash– Beginning of Period	324,837	366,584
Cash– End of Period	$ 2,718,739	$ 1,678,590

Supplemental Disclosures with Respect to Cash Flows *(Note 12)*

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

1. Nature and Continuance of Operations

Body and Mind Inc. (the "Company") was incorporated on 5 November 1998 in the State of Delaware, USA, under the name Concept Development Group, Inc. In May 2004, the Company acquired 100% of Kaleidoscope Venture Capital, Inc. (formerly Vocalscape Networks, Inc.) ("Kaleidoscope") and changed its name to Vocalscape, Inc. In November 2005, the Company changed its name to Nevstar Precious Metals Inc. and in September 2008, the Company changed its name to Deploy Technologies Inc. On 14 November 2017, the Company acquired Nevada Medical Group, LLC ("NMG") and changed its name to Body and Mind Inc. The Company is now a supplier and grower of medical and recreational marijuana in the state of Nevada.

These unaudited consolidated interim financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP").

These unaudited consolidated interim financial statements do not include all information and footnotes required by GAAP for complete financial statements. Except as disclosed herein, there have been no material changes in the information disclosed in the notes to the financial statements for the year ended 31 July 2018. The unaudited consolidated interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended 31 July 2018. In the opinion of management, all adjustments considered necessary for fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the six months ended 31 January 2019 are not necessarily indicative of the results that may be expected for the year ending 31 July 2019.

These unaudited consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. At 31 January 2019, the Company had cash of $2,718,739 (31 July 2018 – $324,837) and a working capital deficit of $574,832 (31 July 2018 – $998,878). 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. Management believes that the Company's capital resources will not be adequate to continue operating and maintaining its business strategy for the next 12 months. If the Company is unable to raise additional capital in the near future, management expects that the Company will need to curtail operations, seek additional capital on less favourable terms and/or pursue other remedial measures. These financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. At 31 January 2019, the Company had incurred losses from activities to date. Although management is currently attempting to implement its business plan, and is seeking additional sources of equity or debt financing, there is no assurance these activities will be successful. These factors raise substantial doubt about the ability of the Company to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Principles of Consolidation

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiary, DEP Nevada Inc. ("Dep Nevada"), incorporated in the State of Nevada on 10 August 2017, and Nevada Medical Group LLC ("NMG") from the date of acquisition on 14 November 2017.

All inter-company transactions are eliminated upon consolidation.

2. Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02 (Topic 842) "Leases." Topic 842 supersedes the lease recognition requirements in Accounting Standards Codification ("ASC") Topic 840 "Leases." Under Topic 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases and provide enhanced disclosures. Leases will continue to be classified as either finance or operating. Topic 842 is effective for annual reporting periods and interim periods within those years beginning after 15 December 2018. Early adoption by public entities is permitted. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements, and there are certain optional practical expedients that an entity may elect to apply. Full retrospective application is prohibited. The Company is currently evaluating the impact that this new standard will have on its financial statements.

In June 2016, the FASB issued ASU No. 2016-13 "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. ASU 2016-13 is effective for annual reporting periods, and interim periods within those years beginning after 15 December 2019. The Company does not anticipate this amendment to have a significant impact on the financial statements.

3. Significant Accounting Policies

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements.

Basis of presentation

The financial statements of the Company have been prepared in accordance with GAAP and are expressed in U.S. dollars. The Company's fiscal year end is 31 July.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

Derivative financial instruments

The Company has not, to the date of these financial statements, entered into derivative instruments.

Amounts receivable

Amounts receivable represents amounts owed from customers for sale of medical and recreational marijuana and sales tax recoverable. Amounts are presented net of the allowance for doubtful accounts, which represents the Company's best estimate of the amount of probably credit losses in the existing accounts receivable balance. The Company determines the allowance for doubtful accounts based on historical experience and current economic conditions. The Company reviews the adequacy of its allowance for doubtful accounts on a quarterly basis. As at 31 January 2019 and 31 July 2018, the Company has no allowance for doubtful accounts.

3. Significant Accounting Policies – *Continued*

Revenue recognition

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The new standard is based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Since its initial release, the FASB has issued several amendments to the standard, which include clarification of accounting guidance related to identification of performance obligations and principal versus agent considerations. Topic 606 became effective for the Company in the first quarter of the 2019 fiscal year. The adoption of this guidance had no impact on the Company's financial statements.

The Company derives revenue primarily from the sale of medical and recreational marijuana. In accordance with ASC 606, revenue is recognized when persuasive evidence of an arrangement exists, the services have been rendered and the goods have been delivered, the amount is fixed and determinable, and collection is reasonably assured.

The Company does not have standard terms that permit return of product; however, in certain markets where returns occur management estimates the amount of returns as variable consideration based on historical return experience and adjust revenue accordingly. Products that do not meet the Company's high quality standards are returned by the customer or recalled and destroyed and are recorded as a reduction of revenue. The reversal of revenue is recorded upon determination that the product will be recalled and destroyed. Management estimates the costs required to facilitate product returns and record them in cost of goods sold as required.

Inventory

Inventory consists of raw material, work in progress (live plants and plants in the drying process), finished goods, and consumables. The Company values its raw material, finished goods and consumables at the lower of the actual costs or its current estimated market value less costs to sell. The Company values its work in progress at cost. The Company periodically reviews its inventory for obsolete and potentially impaired items.

Property and equipment

Property and equipment are stated at cost and are amortized over their estimated useful lives on a straight-line basis:

Office equipment	7 years
Cultivation equipment	7 years
Production equipment	7 years
Kitchen equipment	7 years
Vehicles	7 years
Vault equipment	7 years
Leasehold improvements	15 years

Brands and licenses

Intangible assets acquired from third parties are measured initially at fair value and either classified as indefinite life or finite life depending on their characteristics. Intangible assets with indefinite lives are tested for impairment at least annually and intangible assets with finite lives are reviewed for indicators of impairment at least annually. The Company's brands and licenses have indefinite lives; therefore no amortization is recognized.

3. Significant Accounting Policies – *Continued*

Start-up expenses

The Company has adopted ASC 720-15, "Start-Up Costs", which requires that costs associated with start-up activities be expensed as incurred. Accordingly, start-up costs associated with the Company's formation have been included in the Company's expenses for the period from the date of inception.

Income taxes

Deferred income taxes are reported for timing differences between items of income or expense reported in the consolidated financial statements and those reported for income tax purposes in accordance with Accounting Standards Codification ("ASC") 740, "Income Taxes", which requires the use of the asset/liability method of accounting for income taxes. Deferred income taxes and tax benefits are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, and for tax losses and credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company provides for deferred taxes for the estimated future tax effects attributable to temporary differences and carry-forwards when realization is more likely than not.

Basic and diluted net loss per share

The Company computes net income (loss) per share in accordance with ASC 260, "Earnings per Share". ASC 260 requires presentation of both basic and diluted earnings per share ("EPS") on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excluded all dilutive potential shares if their effect is anti-dilutive.

Segments of an enterprise and related information

ASC 280, "Segment Reporting" establishes guidance for the way that public companies report information about operating segments in annual consolidated financial statements and requires reporting of selected information about operating segments in interim consolidated financial statements issued to the public. It also establishes standards for disclosures regarding products and services, geographic areas and major customers. ASC 280 defines operating segments as components of a company about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company has evaluated this Codification and does not believe it is applicable at this time.

Comprehensive loss

ASC 220, "Comprehensive Income", establishes standards for the reporting and display of comprehensive income/loss and its components in the consolidated financial statements. As at 31 January 2019, the Company reported foreign currency translation adjustments as other comprehensive income or loss and included a schedule of comprehensive income/loss in the consolidated financial statements.

3. Significant Accounting Policies – *Continued*

Foreign currency translation

The Company's functional currency is Canadian dollars and reporting currency is U.S. dollars. The Company's subsidiary, NMG, has a functional currency of U.S. dollars. The consolidated financial statements of the Company are translated to U.S. dollars in accordance with ASC 830, "Foreign Currency Matters". Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in the determination of income. The Company has not, to the date of these financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

Use of estimates and assumptions

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

Comparative figures

Certain comparative figures have been adjusted to conform to the current year's presentation.

4. Financial Instruments

The following table represents the Company's assets that are measured at fair value as of 31 January 2019 and 31 July 2018:

	31 January 2019	31 July 2018
Financial assets at fair value		
Cash	$ 2,718,739	$ 324,837
Total financial assets at fair value	$ 2,718,739	$ 324,837

Management of financial risks

The financial risk arising from the Company's operations are credit risk, liquidity risk, interest rate risk and currency risk. These risks arise from the normal course of operations and all transactions undertaken are to support the Company's ability to continue as a going concern. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is not exposed to credit risk as it does not hold cash in excess of federally insured limits, with major financial institutions.

4. Financial Instruments – *Continued*

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company had a working capital deficit of $574,832 as at 31 January 2019. The Company has incurred losses from operations to date and is currently attempting to implement its business plan; therefore, the Company is exposed to liquidity risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as it does not hold financial instruments that will fluctuate in value due to changes in interest rates.

Currency risk

Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to currency risk by incurring expenditures and holding assets denominated in currencies other than its functional currency. Assuming all other variables remain constant, a 1% change in the Canadian dollar against the US dollar would not result in a significant change to the Company's operations.

Other risks

The Company is not exposed to other risks unless otherwise noted.

5. Inventory

	31 January 2019	31 July 2018
Raw materials	$ -	$ 9,705
Work in progress	361,525	151,039
Finished goods	533,012	567,563
Consumables	674,054	225,110
Total	$ 1,568,591	$ 953,417

6. Property and Equipment

	Office Equipment	Cultivation Equipment	Production Equipment	Kitchen Equipment	Vehicles	Vault Equipment	Improvements	Total
Cost:								
Balance, 31 July 2018	$ 24,586	$ 435,109	$ 261,957	$ 27,694	$ 38,717	$ 1,644	$ 1,993,928	$ 2,783,635
Additions	7,491	15,182	13,901	-	-	528	108,658	145,760
Balance, 31 January 2019	32,077	450,291	275,858	27,694	38,717	2,172	2,102,586	2,929,395
Accumulated Depreciation:								
Balance, 31 July 2018	3,177	41,169	25,446	2,554	5,500	228	89,663	167,737
Depreciation	2,580	36,616	21,661	2,242	3,907	181	74,714	141,901
Balance, 31 January 2019	5,757	77,785	47,107	4,796	9,407	409	164,377	309,638
Net Book Value:								
As at 31 July 2018	**$ 21,409**	**$ 393,940**	**$ 236,511**	**$ 25,140**	**$ 33,217**	**$ 1,416**	**$ 1,904,265**	**$ 2,615,898**
As at 31 January 2019	**$ 26,320**	**$ 372,506**	**$ 228,751**	**$ 22,898**	**$ 29,310**	**$ 1,763**	**$ 1,938,209**	**$ 2,619,757**

7. Related Party Balances and Transactions

In addition to those disclosed elsewhere in these consolidated financial statements, related party transactions for the six month period ended 31 January 2019 and 2018 are as follows:

a) During the six months ended 31 January 2019, accounting fees of $18,519 (2018 - $9,545) and management fees of $Nil (2018 - $9,545) were paid/accrued to a company controlled by the former Chief Financial Officer and a director of the Company.

b) During the six months ended 31 January 2019, management fees of $45,576 (2018 - $69,323) were paid/accrued to companies related to the Chief Executive Officer of the Company.

c) During the six months ended 31 January 2019, management fees of $100,646 (2018 - $42,823) were paid/accrued to a company controlled by a director of the Company.

d) During the six months ended 31 January 2019, management fees of $18,990 (2018 - $23,862) were paid/accrued to a company controlled by the Chief Financial Officer of the Company.

e) During the six months ended 31 January 2019, management fees of $Nil (2018 - $2,724) were paid/accrued to a former Chief Executive Officer of the Company.

f) As at 31 January 2019, the Company owed $Nil (31 July 2018 - $17,028) to the Chief Executive Officer of the Company and a company controlled by him.

g) As at 31 January 2019, the Company owed $3,994 (31 July 2018 - $4,033) to the Chief Financial Officer of the Company

h) As at 31 January 2019, the Company owed $1,598 (31 July 2018 - $1,210) to a director of the Company and a company controlled by him.

i) As at 31 January 2019, the Company owed $Nil (31 July 2018 - $28,810) to a director of the Company and a company controlled by him.

The above amounts owing to related parties are unsecured, non-interest bearing and are due on demand.

In addition, there are amounts owing to related parties resulting from the purchase of NMG (Note 8).

8. Notes Payable

In connection with the Acquisition of NMG, on 14 November 2017, the Company issued promissory notes totaling $2,175,000 to NMG Members (Note 13). As these promissory notes are non-interest bearing, they were discounted to a present value of $1,887,863 at a rate of 12%. These promissory notes are non-interest bearing, secured by the assets of the Company, and due the earlier of 14 February 2019 or within 30 days from the date of the Company completes a financing of at least $500,000. Any unpaid amounts at maturity will bear interest at a rate of 10% per annum. At 31 July 2018, the promissory notes were accreted to their face value as it was estimated that repayment would occur imminently due to the Company's fund raising initiatives. During the six months ended 31 January 2019, the Company accrued interest and accretion expense of $Nil (2018 - $277,219). On 12 November 2018 the notes were amended such that $1,175,000 was repaid and the balance of $1,000,000 would be due on 14 February 2019. If the balance was not repaid on 14 February 2019, then interest would commence accruing at 8% per annum and the principal plus interest is to be repaid on the earlier of i) 12 months from due date or ii) within 10 business days of closing a financing greater than $5,000,000 subsequent to 12 November 2018.

8. Promissory Notes – *Continued*

In connection with the investment of Green Light District Holdings, Inc. ("GLDH") on 29 November 2018, the Company issued a promissory note in the amount of $4,000,000 to Australis Capital Inc. ("Australis") (Note 17). The promissory note bears interest at a rate of 15% per annum, is secured by the assets of the Company, matures in two years and requires semi-annual interest payments unless the Company elects to accrue the interest by adding it to the principal amount. The Company issued 1,105,083 common shares of the Company as a finance fee to Australis valued at $822,494 (Note 10). During the six months ended 31 January 2019, the Company accrued interest and accretion expense of $176,090 (2018 - $Nil).

	31 January 2019	31 July 2018
Balance, beginning	$ 2,175,000	$ -
Issuance of promissory notes	4,000,000	1,887,277
Deferred finance costs	(822,494)	-
Partial repayment of promissory notes	(1,175,000)	-
Interest and accretion expense	176,090	277,219
Foreign exchange adjustment	(11,234)	10,504
Balance, ending	$ 4,342,362	$ 2,175,000

9. Convertible debenture

In connection with an investment agreement with Australis on 30 October 2018 (Note 15), the Company issued an unsecured convertible debenture in the amount of CAD$1,600,000 to Australis. The convertible debenture bears interest at a rate of 8% per annum. Repayment of the outstanding principal amount of the convertible debenture, together with any accrued and unpaid interest, is to be made on or prior to 30 October 2020. The convertible debenture is convertible at the option of Australis into common shares of the Company at a conversion price of CAD$0.55 per common share, subject to adjustment and acceleration in certain circumstances.

At the date of issue, a beneficial conversion feature of $88,797 (CAD$116,714) was recognized and the debt portion of the convertible debentures was recorded at a value of $1,128,750 (CAD$1,483,636). The value of the beneficial conversion feature was recorded in equity as additional paid-in capital. Subsequent to initial recognition, the debt has been amortized over the term of the debt using the effective interest rate method at a rate of 11.3%.

	31 January 2019	31 July 2018
Balance, beginning	$ -	$ -
Issuance of convertible debenture	1,128,750	-
Accretion expense	32,362	-
Foreign exchange adjustment	388	-
Balance, ending	$ 1,161,500	$ -

10. Capital Stock

The Company's authorized share capital comprises 900,000,000 Common Shares, with a $0.0001 par value per share.

On 13 March 2017, a total of 150,000 Class A preferred shares were converted into 500,000 common shares of the Company. On 8 May 2017, the remaining 2,325,500 Class A preferred shares were converted into 7,751,765 common shares of the Company. In connection with the Acquisition, on 14 November 2017, the Company eliminated its authorized Class A Preferred share class and completed a consolidation of its common shares on the basis of three pre-consolidation common shares to one post-consolidation common share. Unless otherwise noted, all figures in the financial statements are retroactively adjusted to reflect the consolidation.

10. Capital Stock – *Continued*

On 15 August 2017 and 16 August 2017, the Company closed the first two of four tranches of a non-brokered private placement and issued 8,276,294 Subscription Receipts (defined below) at a price of $0.52 (CAD$0.66) per Subscription Receipt for aggregate gross proceeds of $4,270,017 (CAD$5,462,354).

On 31 October 2017, the Company closed a third tranche of a non-brokered private placement and issued 757,666 Subscription Receipts at a price of $0.52 (CAD$0.66) per Subscription Receipt for aggregate gross proceeds of $390,822 (CAD$500,060) (Note 13).

On 1 November 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 $0.52 (CAD$0.66) per Subscription Receipt for aggregate gross proceeds of $35,169 (CAD$45,000) (Note 13).

On 14 November 2017, the Company issued a total of 18,827,000 common shares valued at $6,337,190 in connection with the Acquisition of NMG (Note 13). The Company is obligated to issue 423,000 common shares, which have a fair value of $135,202 (Note 13). On 14 November 2017, a total of 9,102,141 Subscription Receipts converted to 9,102,141 common shares and 9,102,141 share purchase warrants exercisable at CAD $0.66 or CAD$0.90 for a period of 24 months pursuant to the closing of the Acquisition of NMG (Note 13). The Company issued a total of 367,286 brokers' warrants with a fair value of $62,357 (CAD$78,122) in connection with these financings. The brokers' warrants are exercisable at CAD$0.90 for a period of 24 months. The Company incurred other share issuance costs of $219,459 (CAD$279,352) in relation to this private placement.

On 1 December 2017, the Company closed a non-brokered private placement of 637,393 units at a price of $0.52 (CAD$0.66) per unit for aggregate gross proceeds of $330,486 (CAD$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 CAD$0.90 per warrant for a period of 24 months from the closing.

On 16 May 2018, the Company issued 70,500 previously escrowed shares with a fair value of $27,328 to Toro Pacific Management Inc. in connection with the acquisition of NMG (Note 13).

On 30 October 2018, the Company closed a non-brokered private placement of 16,000,000 units at a price of $0.30 (CAD$0.40) per unit for aggregate gross proceeds of $4,883,840 (CAD$6,400,000). 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 CAD$0.50 per warrant for a period of two years. The Company paid cash of $270,735 and issued 322,581 common shares valued at $221,658 as finders' fees in relation to this private placement.

On 29 November 2018, the Company issued 1,105,083 common shares as a finance fee to Australis valued at $822,494 (Note 8).

On 30 November 2018, the Company issued 3,206,160 common shares upon exercise of 3,206,160 warrants by Australis at a price of CAD$0.50 per common share for aggregate proceeds of $1,205,196 (CAD$1,603,080).

On 31 January 2019, the Company issued 1,768,545 common shares to Australis for proceeds of $787,123 which is included in subscriptions receivable, pursuant to the Investment Agreement (Note 15).

On 31 January 2019, the Company issued 2,380,398 common shares valued at $1,448,567 in relation to acquiring the remaining 70% of NMG Ohio LLC (Note 16).

10. Capital Stock – *Continued*

Stock options

The Company previously approved an incentive stock option plan, pursuant to which the Company may grant stock options up to an aggregate of 10% of the issued and outstanding common shares in the capital of the Company from time to time.

On 24 November 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 24 November 2022. The options were granted to officers, directors and consultants of the Company.

The fair value of the stock options was calculated to be $733,679 (CAD$922,403) using the Black-Scholes Option Pricing Model with the following assumptions:

Expected life of the options	5 years
Expected volatility	198%
Expected dividend yield	0%
Risk-free interest rate	1.63%

On 6 June 2018, the Company issued 175,000 stock options in accordance with the Company's stock option plan at an exercise price of CDN$0.47 per share for a five year term expiring 6 June 2023. The options were granted to a consultant of the Company.

The fair value of the stock options was calculated to be $63,101 (CAD$81,129) using the Black-Scholes Option Pricing Model with the following assumptions:

Expected life of the options	5 years
Expected volatility	262%
Expected dividend yield	0%
Risk-free interest rate	2.16%

On 11 December 2018, the Company issued 2,050,000 stock options in accordance with the Company's stock option plan at an exercise price of CDN$0.57 per share for a five year term expiring 10 December 2023. The options were granted to current directors, officers, employees and consultants of the Company.

The fair value of the stock options was calculated to be $870,808 (CAD$1,165,117) using the Black-Scholes Option Pricing Model with the following assumptions:

Expected life of the options	5 years
Expected volatility	265%
Expected dividend yield	0%
Risk-free interest rate	2.03%

	31 January 2019		31 July 2018	
	Number of options	**Exercise Price**	**Number of options**	**Exercise Price**
Opening balance	4,025,000	CAD$0.65	-	-
Options granted	2,050,000	CAD$0.57	4,025,000	CAD$0.65
Closing balance	6,075,000	CAD$0.62	4,025,000	CAD$0.65

10. Capital Stock – *Continued*

Share purchase warrants and brokers' warrants

	31 January 2019		31 July 2018	
	Number of warrants	Exercise Price	Number of warrants	Exercise Price
Opening balance	10,106,820	CAD$0.89	-	-
Warrants issued	16,000,000	CAD$0.50	10,106,820	CAD$0.89
Closing balance	26,106,820	CAD$0.65	10,106,820	CAD$0.89

As at 31 January 2019, the following warrants are outstanding:

Number of warrants outstanding and exercisable	Exercise price	Expiry dates
248,350	CAD$0.66	15 August 2019
58,324	CAD$0.66	16 August 2019
60,612	CAD$0.66	3 November 2019
9,102,141	CAD$0.90	14 November 2019
637,393	CAD$0.90	1 December 2019
12,793,840	CAD$0.50	30 October 2020
22,900,660		

11. Segmented Information

The Company's activities are all in the one industry segment of medical and recreational marijuana. All of the Company's revenue generating activities and capital assets relate to this segment and are located in the USA.

12. Supplemental Disclosures with Respect to Cash Flows

	Six Month Period Ended 31 January	
	2019	2018
Cash paid during the period for interest	$ -	$ -
Cash paid during the period for income taxes	$ -	$ -

13. Business Acquisition

On 15 May 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 12 May 2017 to the Company in accordance with its terms. The Assignment Agreement and the LOI contemplated a business combination transaction (the "Acquisition") to acquire all of the issued and outstanding securities of NMG, an arm's length Nevada-based licensed producer of medical marijuana.

As consideration for the Assignment Agreement, the Company will issue to the Transferor 1,000,000 common shares of the Company. On November 13, 2017, the Assignment Agreement was amended, whereby the Company would issue the 1,000,000 common shares as follows:

a. 470,000 common shares to Benjamin Rutledge upon closing of the Acquisition (issued);

b. 60,000 common shares to Chris Hunt upon closing of the Acquisition (issued);

c. 470,000 common shares to the Transferor according to the following schedule:

- 1/10 of the Transferor's shares upon closing of the Acquisition (issued);
- 1/6 of the remaining Transferor's shares 6 months after closing the Acquisition (issued);

13. Business Acquisition – *Continued*

- 1/5 of the remaining Transferor's shares 12 months after closing the Acquisition;
- 1/4 of the remaining Transferor's shares 18 months after closing the Acquisition;
- 1/3 of the remaining Transferor's shares 24 months after closing the Acquisition;
- 1/2 of the remaining Transferor's shares 30 months after closing the Acquisition; and
- the remaining Transferor's shares 36 months after closing the Acquisition.

The remaining 423,000 shares to be issued to the Transferor over the 36 month period are included in equity as shares to be issued with a total fair value of $135,202 (Note 10).

On 14 September 2017, the Company and Dep Nevada entered into a definitive agreement (the "Share Exchange Agreement") with NMG. Pursuant to the Share Exchange Agreement, Dep Nevada acquired 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 (the "Acquisition").

The Company completed a concurrent financing consisting of 9,102,141 subscription receipts of the Company (the "Subscription Receipts"), at an issue price of CAD$0.66 per Subscription Receipt, with each Subscription Receipt being automatically converted, at no additional cost to the subscriber, upon the completion of the Acquisition for one common share and one share purchase warrant exercisable at a price of CAD$0.90 for a period of 24 months from the date of issuance. Each warrant is subject to acceleration provisions following the six-month anniversary of the date of closing, if the closing trading price of the common shares is equal to or greater than CAD$1.20 for seven consecutive trading days, at which time the Company may accelerate the expiry date of the warrants by issuing a press release announcing the reduced warrant term whereupon the warrant will expire 21 calendar days after the date of such press release. These Subscription Receipts were recognized as liability on initial receipt. During the year ended 31 July, 2018, the Acquisition closed and the shares were issued; therefore the Subscription Receipts were reclassified from liability to equity on conversion to common shares.

On 14 November 2017, the Company closed the Acquisition, and acquired all of the issued and outstanding membership units of NMG (the "Units"). In consideration for the Units, the Company issued to the NMG Members an aggregate of 16,000,000 common shares with a fair value of $5,386,155 as well as a cash payment of $2,309,000 pro rata amongst the NMG members and promissory notes to the NMG members in the aggregate amount of $2,175,000. The Company also issued 2,037,879 common shares to TI Nevada with a fair value of $685,788, 212,121 common shares to Charles Fox with a fair value of $71,383, 47,000 common shares to Toro Pacific Management Inc. with a fair value of $15,816, 60,000 common shares to Chris Hunt with a fair value of $20,192, and 470,000 common shares to Benjamin Rutledge with a fair value of $159,114 in connection with the Acquisition. The Company has an obligation to issue a further 423,000 common shares to Toro Pacific Management Inc., which had a fair value of $135,202 on the date of acquisition. The Company recognized $330,324 in transaction costs in connection with the shares issued to non-NMG members. The promissory notes totalling $2,175,000 were discounted to a present value of $1,887,277 (Note 8). In connection with the closing of the Acquisition, the net proceeds of the Company's private placements of Subscription Receipts in support of the Acquisition was released to the Company from escrow. Immediately prior to closing of the Acquisition, the Company completed a consolidation of its common shares on the basis of three (3) pre-consolidation common shares to one (1) post-consolidation common share, as well a name change, changing the name of the Company from Deploy Technologies, Inc. to Body and Mind Inc. The Company eliminated its authorized Class A Preferred shares (Note 10).

13. Business Acquisition – *Continued*

As a result of the acquisition of NMG, the Company changed its business focus to growing and supplying medical and recreational marijuana in the state of Nevada. The acquisition of NMG was accounted for as a business combination, in which the assets acquired and the liabilities assumed are recorded at their estimated fair values. The allocation of the purchase consideration is as follows:

Purchase consideration	
Share considerations	$ 6,143,326
Cash considerations	2,309,000
Promissory notes issued	1,887,277
TOTAL	**$ 10,339,603**
Assets acquired:	
Cash	$ 260,842
Amounts receivable	253,697
Prepaid expenses	44,552
Inventory	498,680
Property and equipment	1,951,696
Brand	247,000
Licenses	7,925,000
Liabilities assumed:	
Trade payable and accrued liabilities	(367,385)
Loans payable	(250,000)
Deferred tax liability	(2,860,200)
Net assets acquired	7,703,882
Goodwill	2,635,721
TOTAL	**$ 10,339,603**

Goodwill recognized comprises the assembled workforce and their knowledge with respect to NMG, regulatory affairs and the cannabis industry; and expected revenue growth and future market development with legalization of recreational cannabis in Nevada.

14. Commitments

a) On 11 November 2014, NMG entered into a five year lease for its premises. The Company has five options to extend the lease and each option is for five years. The monthly rent was $12,500, increased to $15,000 on 1 January 2018. The guaranteed minimum monthly rent is subject to a 3% increase on each anniversary date of the lease.

b) On 14 November 2017, the Company entered into the following consulting agreements:

i. $16,667 per month to TI Nevada, which is controlled by an officer of the Company, for a term of three years; and

ii. CAD$10,000 per month to Toro Pacific Management Inc., which is controlled by an officer of the Company.

15. Investment Agreement

On 30 October 2018, the Company entered into a strategic investment agreement (the "Investment Agreement") with Australis. Pursuant to the terms of the Investment Agreement, Australis will acquire (i) 16,000,000 units of the Company (Note 10), and (ii) CAD$1,600,000 principal amount 8% unsecured convertible debentures (Note 8).

Under the terms of the Investment Agreement, the parties agreed to negotiate in good faith a license agreement pursuant to which the Company will grant Australis an exclusive and assignable license to use the Body and Mind brand outside of the United States of America on commercially reasonable terms.

15. Investment Agreement – *Continued*

In addition, the Company entered into a commercial advisory agreement with Australis Capital (Nevada) Inc. ("Australis Nevada"), a wholly-owned subsidiary of Australis, pursuant to which Australis Nevada will provide advisory and consulting services to the Company at $16,500 per month for a term ending on the date that is the earlier of: (i) five years following the closing of the transactions contemplated by the Investment Agreement, and (ii) the date Australis no longer holds 10% or more of the issued and outstanding Common Shares. Subject to certain exceptions, Australis will be entitled to maintain its' pro rata interest in the Company until such time as it no longer holds 10% or more of the issued and outstanding Common Shares.

Subject to applicable laws and the rules of the CSE, for as long as Australis owns at least 10% of the issued and outstanding common shares, Australis will be entitled to nominate one director for election to the Board of Directors of the Company (the "Board"). If Australis exercises all of the warrants and converts all of the debentures purchased, Australis will be entitled to nominate a second director for election to the Board.

On 2 November 2018, the Company executed the Investment Agreement and completed the sale of securities pursuant to the Investment Agreement.

On 31 January 2019, the Company issued 1,768,545 common shares to Australis for proceeds of $787,123 which is included in subscriptions receivable, pursuant to the Investment Agreement whereby the Company granted Australis anti-dilution participation rights to allow Australis to maintain a 35.783% ownership interest in the Company (Note 10).

16. Investment in NMG Ohio LLC

On 7 June 2018, the Company acquired a 30% interest in NMG Ohio LLC ("NMG Ohio"). The investment is accounted for using the equity method of accounting. During the period ended January 31, 2019, the Company advanced an additional $612,619 to NMG Ohio to fund the build-out of a dispensary.

On 31 January 2019, the Company entered into a definitive agreement to acquire 100% ownership of NMG Ohio. The Company will purchase the remaining 70% interest for total cash payments of $1,575,000 and issuance of 3,173,864 common shares of the Company. As at January 31, 2019 the Company had issued 2,380,398 of the 3,173,864 common shares with a fair value of $1,448,567. At 31 January 2019 the definitive agreement had not closed. Subsequent to January 31, 2019, the Company made cash payments of $618,416.

The remaining cash payments totaling $956,584 and the remaining issuance of 793,466 common shares are expected to be paid and issued subsequent to the period ended January 31, 2019.

		31 January 2019
Balance, 31 July 2018	$	77,600
Common shares issued at fair value		1,448,567
Dispensary build-out related costs		612,619
Equity loss		(31,559)
Foreign exchange		(796)
Total	$	2,106,431

17. Investment in GLDH

On 29 November 2018, the Company and Australis announced an investment by the Company into Green Light District Holdings, Inc. ("GLDH") by way of a $5,200,000 senior secured convertible note which bears interest at a rate of 20% per annum and is due on 29 November 2020. In conjunction with the note, an additional amount of $538,946 was advanced to cover payables and which shall be repaid at an unspecified date.

The note and any accrued interest is convertible into 89.75% of the shares of GLDH at the option of the Company. The Company has an agreement to issue additional consideration totalling $6,297,580 payable in 11,255,899 shares of the Company at a price of CAD$0.7439 upon meeting certain milestones.

	31 January 2019
Senior secured note	$ 5,200,000
GLDH working capital advances	538,946
Foreign exchange	13,234
Total	$ 5,752,180

18. Subsequent Events

Effective March 15, 2019, the Company, through its wholly owned subsidiaries, DEP Nevada and NMG, entered into a convertible loan agreement and a management agreement with Comprehensive Care Group LLC ("CCG"), an Arkansas limited liability company, with respect to the development of a medical marijuana dispensary facility in West Memphis, Arkansas.

Pursuant to the management agreement, NMG will provide operations and management services, including management, staffing, operations, administration, oversight, and other related services. Under the management agreement, NMG will be paid a monthly management fee equal to a percentage of the monthly net profits of CCG, subject to conversion of the convertible loan as discussed below upon which the monthly management fee shall be $6,000 per month, unless otherwise agreed by the parties in writing.

The convertible loan agreement is for an amount up to $1,250,000 from DEP to CCG with proceeds to be used to fund construction of a facility, working capital and initial operating expenses. The loan bears interest at a fixed rate of $6,000 per month until the parties mutually agree to increase the interest. Within one year of granting of a medical marijuana dispensary license or one year after entering into the convertible loan, DEP may elect to convert the loan into preferred units of CCG equal to 40% of all outstanding units of CCG, subject to approval of the Arkansas Medical Marijuana Commission.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The terms "BAM", "Company", "we", "our", and "us" refer to Body and Mind Inc. unless the context suggests otherwise.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties. All statements, other than statements of historical facts, included in this Form 10-Q that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. These forward-looking statements are based on assumptions which we believe are reasonable based on current expectations and projections about future events and industry conditions and trends affecting our business. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties that, among other things, could cause actual results to differ materially from those contained in the forward-looking statements, including without limitation the Risk Factors set forth in our Form 10 including statements with respect to the following:

- *our failure to obtain additional financing;*
- *our inability to continue as a going concern;*
- *the unique difficulties and uncertainties inherent in the business;*
- *local and multi-national economic and political conditions, and*
- *our common stock.*

General

We are a reporting issuer in British Columbia and Ontario, and have our shares of common stock listed on the Canadian Securities Exchange under the symbol "BAMM", with a head office located at 750 – 1095 West Pender Street, Vancouver, British Columbia, Canada V6E 2M6.

We were originally incorporated on November 5, 1998 in the State of Delaware under the name Concept Development Group, Inc. In May 2004, we acquired 100% of Kaleidoscope Venture Capital, Inc. (formerly Vocalscape Networks, Inc.) and changed our name to Vocalscape, Inc. In November 2005, we changed our name to Nevstar Precious Metals Inc. In September 2008, we changed our name to Deploy Technologies Inc. ("**Deploy Tech**") and effective November 13, 2017, we changed our name to Body and Mind, Inc. ("**Body and Mind**").

On September 15, 2010, we incorporated a wholly-owned subsidiary, Deploy Acquisition Corp. ("**Deploy**") under the laws of the State of Nevada, USA. On September 17, 2010, Deploy completed a merger with Deploy Tech, its former parent company, pursuant to which Deploy was the surviving corporation and assumed all the assets, obligations and commitments of Deploy Tech. Upon the completion of the merger Deploy assumed the name "Deploy Technologies Inc." and all of the issued and outstanding common stock of Deploy Tech was automatically converted into and became Deploy's issued and outstanding common stock. On May 10, 2011, we registered as an extra-provincial company in British Columbia and on September 30, 2011, we filed a certificate of amendment with the Nevada Secretary of State to designate 2,900,000 shares of our authorized capital stock as Class A Preferred Shares (the "**Preferred Shares**"). On September 2, 2014, we filed a certificate of amendment with the Nevada Secretary of State increasing the authorized Preferred Shares from 2,900,000 shares to 20,000,000 shares. On November 11, 2014, we filed a certificate of change with the Nevada Secretary of State whereby we reverse split our authorized as well as the issued and outstanding shares of common stock (the "Common Shares") on the basis of one (1) new share for ten (10) old shares which resulted in a reduction of our authorized capital from 100,000,000 Common Shares to 10,000,000 Common Shares and our issued and outstanding Common Shares decreasing from 23,130,209 Common Shares to approximately 2,313,021 Common Shares. On April 11, 2017, we filed a certificate of amendment with the Nevada Secretary of State to increase the authorized capital from 10,000,000 Common Shares to 900,000,000 Common Shares.

On August 10, 2017, we incorporated a wholly-owned subsidiary, Dep Nevada Inc. (" **DEP**"). On September 14, 2017, we, with DEP, entered into a definitive agreement (the "**Share Exchange Agreement**") with Nevada Medical Group, LLC ("**NMG**"), an arm's length party, to carry out the business combination transaction initially announced on May 17, 2017, following the signing of the letter of intent between Toro Pacific Management Inc. ("**Toro**") and NMG (the "**Letter of Intent**"), which was assigned to us pursuant to an assignment and novation agreement among Toro, NMG, and us dated effective May 12, 2017 (the "**Assignment Agreement**"). Pursuant to the Assignment Agreement, Toro received 470,000 of our Common Shares. Pursuant to the Share Exchange Agreement, we changed our name to "Body and Mind, Inc." effective on November 14, 2017 by filing a certificate of amendment with the Nevada Secretary of State and at the same time we cancelled our entire authorized class of Preferred Shares. In addition, on November 14, 2017, we filed a certificate of change with the Nevada Secretary of State whereby we reverse split our issued and outstanding Common Shares on the basis of one (1) new share for three (3) old shares (the "**Consolidation**") which resulted in there being 28,239,876 Common Shares issued and outstanding post-Consolidation. DEP, our wholly-owned subsidiary, acquired all of the issued and outstanding securities of NMG in exchange for the issuance of our Common Shares on a post-consolidation basis and certain cash and other non-cash consideration, as further described below (the "**Acquisition**"). Completion of the Acquisition resulted in a fundamental change under the policies of the Canadian Securities Exchange (the "**CSE**"). Subsequent to completion of the Acquisition, we filed articles of exchange with the Nevada Secretary of State.

We completed a concurrent equity financing to raise aggregate gross proceeds of CAD$6,007,429.89 through the issuance of subscription receipts (the "**Subscription Receipts**") with each Subscription Receipt convertible into one pre-Consolidation Common Share and one common share purchase warrant (each a "**Warrant**") of Body and Mind, at a price of CAD$0.22 per Subscription Receipt (the "**Concurrent Financing**"). Each Warrant is exercisable by the holder at a price of CAD $0.30 for a period of 24 months from the date of issuance. Each Warrant is subject to acceleration provisions following May 14, 2018, if the closing trading price of the Common Shares is equal to or greater than CAD$1.20 for seven consecutive trading days, at which time we may accelerate the expiry date of the Warrants by issuing a press release announcing the reduced warrant term whereupon the Warrants will expire 21 calendar days after the date of such press release.

In consideration for all of the issued securities of NMG, the NMG securityholders (collectively, the "**NMG Members**") received, on a pro rata basis, (a) 16,000,000 post-Consolidation Common Shares (the "**Payment Shares**") at a deemed price of CAD$0.66 per share (the "**Share Exchange**"), (b) $2,000,000 cash, and (c) five non-interest bearing promissory note for an aggregate amount of $2,000,000 (the "**Promissory Notes**") issued as follows: $450,000 to MBK Investments, LLC, $450,000 to the Rozok Family Trust, $490,000 to KAJ Universal Real Estate Investments, LLC, $120,000 to NV Trees, LLC, and $490,000 to SW Fort Apache, LLC. The Promissory Notes were secured by a senior priority security interest in all of our assets, 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. We assumed NMG's obligations pursuant to a loan in the amount of $400,000, payable to TI Nevada, LLC, ("**TI Nevada**") of which $225,000 was paid on the Closing Date (as defined below) and the remaining $175,000, which was secured by a senior priority security interest in all of our assets, will be paid within 15 months of the Closing Date. Furthermore, we reimbursed NMG ($84,000) for expenditures incurred prior to the Closing Date which were related to the acquisition of production equipment.

Plan of Operations

Past business of Deploy

We were a development stage company engaged in designing and developing technologies and products for the management of truck fleets by companies in the freight haulage, waste haulage, mining, industrial operations and manufacturing, military and law enforcement industries.

We identified our proprietary technology and primary product by the name "Fleet Data Management & Weigh System". The principal and unique feature of the Fleet Data Management & Weigh System enables operators of heavy industrial hydraulic lifting equipment to weigh cargo "on-the-fly" during the process of loading carrier vehicles. The load weight of trucks is important information for several purposes, including billing, compliance with highway and safety regulations and loading within capacity specifications. We designed and developed the Fleet Data Management & Weigh System to provide this information, as well as much more, on a real-time basis. The Fleet Data Management & Weigh System is capable of providing such information for in-cab entry and can deliver the information by wireless communication to operations centers, billing departments and for archival purposes, in order to meet the needs of any fleet operator.

Following the 2008 acquisition by our predecessor entity of the on-the-fly weigh system technology from Trepped Enterprises Inc., we devoted much of our time to engineering; circuit board design and testing; firmware and software development and testing; adding components and features; hardware selection; and improving, testing and packaging the Fleet Data Management & Weigh System. Upon the completion of our merger with Deploy Tech, we acquired the rights to both the technology and products that comprise the system by virtue of being the surviving corporation.

We developed a final prototype of the products that comprise our Fleet Data Management & Weigh System. We have tested both prototype packages on various types of vehicles. We have experienced delays due to lack of required funding which resulted in less attention on sales and marketing than expected.

Due to the large number of different vehicles and vehicle models that contain variations in parts, our system had to be tested on each variation of a vehicle before it can be sold to customers to ensure that it is properly calibrated for that specific vehicle. This significantly increases our testing and sales timelines.

Throughout our 2014 fiscal year, our management was focused on sales of our products as well as raising capital required to achieve our sales and marketing goals. We were not successful in raising required capital to hire sales and marketing staff or launch a sales and marketing campaign and therefore restructured the company to be more attractive to the investment community.

Although a lack of funding caused delays in sales and marketing efforts, we were able to remain current in our reporting obligations, including the year-end requirements to file our audited financial statements, MD&A and annual listing statement.

Throughout our previous three years, we had developed and patented and had been selling our Fleet Data Management & Weigh System and prepared the Company for commercialization of our product line. We remain the owner of Patent # 2798525 which is titled as "*Load-Measuring, Fleet Asset Tracking and Data Management System for Load-Lifting Vehicles*." While we continue to own and maintain this patent, our focus has changed to the business of cultivating and producing medical and recreational marijuana as further described in the "Description of Business" below. We anticipate selling our patent in the foreseeable future and do not anticipate allocating any current or future resources to our prior business.

Description of Business

NMG was organized as a limited liability company under the laws of the State of Nevada on March 3, 2014. NMG was an early applicant in Nevada in 2014 and was awarded one of the first state medical licences for both cultivation and production of marijuana. NMG has been a licensed producer and cultivator of cannabis products since it was issued its first cultivation license on November 5, 2015 and production license on December 10, 2015. On July 1, 2017 NMG was awarded an additional state recreational cultivation and production license. NMG operates under its marquee brand name of Body & Mind Inc. ("**BaM**") and produces flower, oil extracts and edibles and are available for sale in dispensaries in Nevada.

NMG anticipates an increase in demand due to the recently approved "Adult Use" licensing in the State of Nevada that began in July 2017. NMG has several growth initiatives underway including new product introductions, product licensing, third party extraction, out-of-State licensing, and acquisitions.

On 7 June 2018, the Company acquired a 30% interest in NMG Ohio LLC ("NMG Ohio"). The investment is accounted for using the equity method of accounting. During the period ended January 31, 2019, the Company advanced an additional $612,619 to NMG Ohio to fund the build-out of a dispensary.

On 31 January 2019, the Company entered into a definitive agreement to acquire 100% ownership of NMG Ohio. The Company will purchase the remaining 70% interest for total cash payments of $1,575,000 and issuance of 3,173,864 common shares of the Company. As at January 31, 2019 the Company had issued 2,380,398 of the 3,173,864 common shares with a fair value of $1,448,567. At 31 January 2019 the definitive agreement had not closed. Subsequent to January 31, 2019, the Company made cash payments of $618,416.

The remaining cash payments totaling $956,584 and the remaining issuance of 793,466 common shares are expected to be paid and issued subsequent to the period ended January 31, 2019.

On 30 October 2018, the Company entered into a strategic investment agreement (the "Investment Agreement") with Australis. Pursuant to the terms of the Investment Agreement, Australis will acquire (i) 16,000,000 units of the Company, and (ii) CAD$1,600,000 principal amount 8% unsecured convertible debentures.

Under the terms of the Investment Agreement, the parties agreed to negotiate in good faith a license agreement pursuant to which the Company will grant Australis an exclusive and assignable license to use the Body and Mind brand outside of the United States of America on commercially reasonable terms.

In addition, the Company entered into a commercial advisory agreement with Australis Capital (Nevada) Inc. ("Australis Nevada"), a wholly-owned subsidiary of Australis, pursuant to which Australis Nevada will provide advisory and consulting services to the Company at $16,500 per month for a term ending on the date that is the earlier of: (i) five years following the closing of the transactions contemplated by the Investment Agreement, and (ii) the date Australis no longer holds 10% or more of the issued and outstanding Common Shares. Subject to certain exceptions, Australis will be entitled to maintain its' pro rata interest in the Company until such time as it no longer holds 10% or more of the issued and outstanding Common Shares.

Subject to applicable laws and the rules of the CSE, for as long as Australis owns at least 10% of the issued and outstanding common shares, Australis will be entitled to nominate one director for election to the Board of Directors of the Company (the "Board"). If Australis exercises all of the warrants and converts all of the debentures purchased, Australis will be entitled to nominate a second director for election to the Board.

On 2 November 2018, the Company executed the Investment Agreement and completed the sale of securities pursuant to the Investment Agreement.

On 29 November 2018, the Company and Australis announced an investment by the Company into Green Light District Holdings, Inc. ("GLDH") by way of a $5,200,000 senior secured convertible note which bears interest at a rate of 20% per annum and is due on 29 November 2020. In conjunction with the note, an additional amount of $538,946 was advanced to cover payables and which shall be repaid at an unspecified date.

The note and any accrued interest is convertible into 89.75% of the shares of GLDH at the option of the Company. The Company has an agreement to issue additional consideration totalling $6,297,580 payable in 11,255,899 shares of the Company at a price of CAD$0.7439 upon meeting certain milestones. As of January 31, 2019 and the date of this report, no shares have been issued as it relates to the milestones.

On 31 January 2019, the Company issued 1,768,545 common shares to Australis for proceeds of $787,123 which is included in subscriptions receivable, pursuant to the Investment Agreement whereby the Company granted Australis anti-dilution participation rights to allow Australis to maintain a 35.783% ownership interest in the Company.

Results of Operations for the three month periods ended January 31, 2019 and 2018

The following table sets forth our results of operations for the three month periods ended January 31, 2019 and 2018:

	January 31, 2019 $	**January 31, 2018 $**
Sales, net of taxes	1,079,818	831,455
Cost of Sales	(575,948)	(268,175)
Gross Margin	503,870	563,280
General and Administrative Expenses	(2,119,823)	(1,536,146)
Foreign Currency Translation Adjustment	(120,725)	206,648
Comprehensive Loss	(1,884,404)	(762,779)
Basic and Diluted Loss Per Share	(0.03)	(0.02)

Revenues

For the three month period ended January 31, 2019 we had total net sales of $1,079,818 and cost of sales of $575,948 for a gross margin of $503,870 compared total net sales of $831,455 and cost of sales of $268,175 for a gross margin of $563,280 in the three month period ended January 31, 2018. During the three months ended January 31, 2019, the Company recorded product sales as follows:

Revenues – By Product	**Three months ended January 31, 2019 $**	**%**
Flower	432,499	36
Concentrates	494,454	41
Edibles	113,518	10
Pre-rolled	155,274	13
Total	1,195,745	100

The Company anticipates edible revenues to materially increase over time due to higher demand for this type of product. The Company anticipates that its edible revenues will represent a more significant ratio of the Company's overall gross sales in the near future. The Company's other revenue generating products, being flower, concentrates and pre-rolled products, are expected to have relatively consistent revenues for the foreseeable future.

Operating Expenses

For the three month period ended January 31, 2019, operating expenses totaled $2,119,823 compared with $1,536,146 for the three month period ended January 31, 2018. The change in operating expenses was mainly due to the acquisition of NMG. This resulted in increased operating activities in Nevada, USA as well as professional and consulting fees in Canada and 2,050,000 stock options recorded at a fair value of $870,808 granted to current directors, officers, employees and consultants of the Company.

Other Items

During the three month period ended January 31, 2019, our other items accounted for $48,332 in expenses as compared to $3,439 in income for the three month period ended January 31, 2018. The significant components in other items primarily relates to the Company's proportion of loss on equity investee in NMG Ohio LLC.

Net Income (Loss)

Net loss for the quarter ended January 31, 2019 totaled $1,763,679 compared with a net loss of $969,427 for the quarter ended January 31, 2018. The decrease in net loss resulted primarily from the acquisition of NMG and sales generated from our products and the increase in consulting fees to Australis as discussed above.

Other Comprehensive Income (Loss)

We recorded translation adjustments loss of $120,725 and gain of $206,648 for the three months ended January 31, 2019 and 2018, respectively. The amounts are included in the statement of operations as other comprehensive gain for the respective periods.

Results of Operations for the six month periods ended January 31, 2019 and 2018

The following table sets forth our results of operations for the six month periods ended January 31, 2019 and 2018:

	January 31, 2019 $	January 31, 2018 $
Sales	2,274,377	831,455
Cost of Sales	(1,313,569)	(268,175)
Gross Margin	960,808	563,280
General and Administrative Expenses	(2,585,826)	(1,912,863)
Foreign Currency Translation Adjustment	(26,314)	132,920
Comprehensive Loss	(2,001,788)	(1,287,015)
Basic and Diluted Loss Per Share	(0.03)	(0.04)

Revenues

For the six month period ended January 31, 2019 we had total net sales of $2,274,377 and cost of sales of $1,313,569 for a gross margin of $960,808 compared total net sales of $831,455 and cost of sales of $268,175 for a gross margin of $563,280 in the six month period ended January 31, 2018. During the six months ended January 31, 2019, the Company recorded product sales as follows:

Revenues – By Product	Six months ended January 31, 2019 $	%
Flower	1,052,368	42
Concentrates	892,530	35
Edibles	204,081	8
Pre-rolled	372,744	15
Total	2,521,723	100

The Company anticipates edible revenues to materially increase over time due to higher demand for this type of product.

The Company anticipates that its edible revenues will represent a more significant ratio of the Company's overall gross sales in the near future. The Company's other revenue generating products, being flower, concentrates and pre-rolled products, are expected to have relatively consistent revenues for the foreseeable future.

Operating Expenses

For the six month period ended January 31, 2019, operating expenses totaled $2,585,826 compared with $1,912,863 for the three month period ended January 31, 2018. The change in operating expenses was mainly due to the acquisition of NMG. This resulted in increased operating activities in Nevada, USA as well as professional and consulting fees in Canada and 2,050,000 stock options granted to current directors, officers, employees and consultants of the Company.

Other Items

During the six month period ended January 31, 2019, our other items accounted for $127,508 in expenses as compared to $70,352 for the six month period ended January 31, 2018. The significant components in other items primarily relates to foreign exchange and the Company's proportion of loss on equity investee in NMG Ohio LLC.

Net Income (Loss)

Net loss for the six month ended January 31, 2019 totaled $1,975,474 compared with a net loss of $1,419,935 for the quarter ended January 31, 2018. The increase in net loss between periods of $555,539 resulted primarily from the acquisition of NMG and sales generated from our products and the increase in consulting fees to Australis as discussed above.

Other Comprehensive Income (Loss)

We recorded translation adjustments loss of $26,314 and gain of $132,920 for the six months ended January 31, 2019 and 2018, respectively. The amounts are included in the statement of operations as other comprehensive gain for the respective periods.

Liquidity and Capital Resources

Our financial statements have been prepared assuming that we will continue as a going concern and, accordingly, do not include adjustments relating to the recoverability and realization of assets and classification of liabilities that might be necessary should we be unable to continue in operation.

The following table sets out our cash and working capital as of January 31, 2019:

	As of January 31, 2019 (unaudited)
Cash reserves	$ 2,718,739
Working capital deficit	$ (574,832)

The Company's working capital deficit improved during the six months ended January 31, 2019 as the Company completed a private placement and expanded the production facility in Nevada.

In connection with the Acquisition of NMG, on 14 November 2017, the Company issued promissory notes totaling $2,175,000 to NMG Members (Note 13). As these promissory notes are non-interest bearing, they were discounted to a present value of $1,887,863 at a rate of 12%. These promissory notes are non-interest bearing, secured by the assets of the Company, and due the earlier of 14 February 2019 or within 30 days from the date of the Company completes a financing of at least $500,000. Any unpaid amounts at maturity will bear interest at a rate of 10% per annum. At 31 July 2018, the promissory notes were accreted to their face value as it was estimated that repayment would occur imminently due to the Company's fund raising initiatives. During the six months ended 31 January 2019, the Company accrued interest and accretion expense of $Nil (2018 - $277,219). On 12 November 2018 the notes were amended such that $1,175,000 was repaid and the balance of $1,000,000 would be due on 14 February 2019. If the balance was not repaid on 14 February 2019, then interest would commence accruing at 8% per annum and the principal plus interest is to be repaid on the earlier of i) 12 months from due date or ii) within 10 business days of closing a financing greater than $5,000,000 subsequent to 12 November 2018.

On October 30, 2018, the Company entered into a strategic investment agreement (the "**Investment Agreement**") with Australis Capital Inc. ("**Australis**"). Pursuant to the terms of the Investment Agreement, Australis will acquire (i) 16,000,000 units (the "Units") of BaM, each comprised of one common share (a "Common Share") and one common share purchase warrant (a "Warrant") of the Company, at a purchase price of CAD$0.40 per Unit for gross proceeds of CAD$6,400,000, and (ii) CAD$1,600,000 principal amount 8% unsecured convertible debentures (the "Debentures") of the Company maturing two years following the date of issue (collectively, the "Financing"). Each Warrant is exercisable to acquire one Common Share of the Company at an exercise price of CAD$0.50 per share for a period of two years, subject to adjustment and acceleration in certain circumstances.

The Debentures will bear interest from the date of issuance (the "**Issue Date**") at a rate of 8% per annum, calculated and payable semi-annually, in arrears. Repayment of the then outstanding principal amount of the Debentures, together with any accrued and unpaid interest thereon, is to be made on or prior to the date that is two years from the Issue Date (the "**Maturity Date**"). The Debentures are convertible at the option of Australis into Common Shares at a conversion price equal to CAD$0.55 per Common Share up to the Maturity Date, subject to adjustment and acceleration in certain circumstances.

In connection with the Investment Agreement with Australis on 30 October 2018, the Company issued an unsecured convertible debenture in the amount of CAD$1,600,000 to Australis. The convertible debenture bears interest at a rate of 8% per annum. Repayment of the outstanding principal amount of the convertible debenture, together with any accrued and unpaid interest, is to be made on or prior to 30 October 2020. The convertible debenture is convertible at the option of Australis into common shares of the Company at a conversion price of CAD$0.55 per common share, subject to adjustment and acceleration in certain circumstances.

At the date of issue, a beneficial conversion feature of $88,797 (CAD$116,714) was recognized and the debt portion of the convertible debentures was recorded at a value of $1,128,750 (CAD$1,483,636). The value of the beneficial conversion feature was recorded in equity as additional paid-in capital. Subsequent to initial recognition, the debt has been amortized over the term of the debt using the effective interest rate method at a rate of 11.3%.

Under the terms of the Investment Agreement, the parties have agreed to negotiate in good faith a license agreement pursuant to which the Company will grant Australis an exclusive and assignable license to use the BaM brand outside of the United States of America on commercially reasonable terms.

On 2 November 2018, the Company executed the Investment Agreement and completed the sale of securities pursuant to the Investment Agreement.

In connection with the investment of Green Light District Holdings, Inc. ("GLDH") on 29 November 2018, the Company issued a promissory note in the amount of $4,000,000 to Australis Capital Inc. ("Australis") (Note 17). The promissory note bears interest at a rate of 15% per annum, is secured by the assets of the Company, matures in two years and requires semi-annual interest payments unless the Company elects to accrue the interest by adding it to the principal amount. The Company issued 1,105,083 common shares of the Company as a finance fee to Australis valued at $822,494. During the six months ended 31 January 2019, the Company accrued interest and accretion expense of $176,090 (2018 - $Nil).

Statement of Cash flows

During the six month period ended January 31, 2019, our net cash increased by $2,393,902 (2018: increase by $1,312,006), which included net cash used in operating activities of $915,104 (2018: $1,144,572), net cash used in investing activities of $6,510,559 (2018: $2,779,998), net cash provided by financing activities of $9,845,879 (2018: $5,103,656) and effect of exchange rate changes on cash and cash equivalents of $26,314 (2018: $132,920).

Cash Flow used in Operating Activities

Cash flow used in operating activities totaled $915,104 and $1,144,572 during the six months ended January 31, 2019 and 2018, respectively. Cash used in operating activities increased in 2018 as a result of the Company's finalization of the Assignment Agreement and the Share Exchange Agreement with NMG during the previous periods. Significant changes in cash used in operating activities are outlined as follows:

- The Company incurred a net loss from operations of $1,975,474 during the six months ended January 31, 2019 compared to $1,419,935 in 2018. The net loss in 2019 included non-cash depreciation of $141,901 (2018: $1,575), accrued interest of $207,222(2018: $Nil), income tax of $222,948 (2018: $Nil), loss of equity investee of $31,559 (2018: $Nil), and stock-based compensation of $870,808 (2018: $733,679).

The following non-cash items further adjusted the loss for the six months ended January 31, 2019 and 2018:

- Increase in amounts receivable and prepaid of $125,748 (2018: $298,713), increase in inventory of $615,174 (2018: $104,034), increase in trade payables and accrued liabilities of $369,957 (2018: decrease of $65,702) and decrease in due to related parties of $45,489 (2018: increase of $7,675).

Cash Flow used in Investing Activities

During the six month period ended January 31, 2019, investing activities used cash of $6,510,559 compared to $2,779,998 during the six month period ended January 31, 2018. The change in cash used in investing activities from the six month period ended January 31, 2019 relates primarily to acquisition of NMG Ohio LLC of $612,619 (2018: $Nil), investment in Green Light District Holdings, Inc. of $5,752,180 (2018: $Nil) and additional property and equipment of $145,760 (2018: $85,335). In the prior period, the Company paid $92,674 to NMG as part of the acquisition that closed in November 2017.

Cash Flow provided by Financing Activities

During the six month period ended January 31, 2019, financing activities provided cash of $9,845,879 compared to $5,103,656 during the six month period ended January 31, 2018. During the six month period ended January 31, 2019, the Company raised net proceeds of $5,818,300 on the issuance of its securities, received net proceeds of $5,202,579 from loans and repaid $1,175,000 of loans outstanding, The Company closed a private placement of 16,000,000 units for gross proceeds of $4,882,240, issued 3,206,160 common shares for proceeds of $1,204,875 related to the exercise of 3,206,160 warrants at an exercise price of CAD$0.50 per share, issued a promissory note in the amount of $4,000,000 to Australis subject to an interest rate of 15%, secured by the assets of the Company and matures in two years and issued unsecured convertible debentures in the amount of CAD$1,600,000 to Australis bearing interest at 8% per annum and matures in two years. In 2017, as part of the Concurrent Financing requirement of the Share Exchange Agreement with NMG, the Company raised $4,769,943 net of share issue costs by issuing 9,102,165 Subscription Receipts at a price of CAD$0.66 per Subscription Receipt. On November 14, 2017, each Subscription Receipt converted into one common share of the Company and one share purchase warrant of the Company exercisable at a price of CAD$0.90 for a period of 24 months from the date of issuance.

Off-balance Sheet Arrangements

The Company has no off-balance sheet arrangements that would require disclosure.

Subsequent events

Effective March 15, 2019, the Company, through its wholly owned subsidiaries, DEP Nevada and NMG, entered into a convertible loan agreement and a management agreement with Comprehensive Care Group LLC ("CCG"), an Arkansas limited liability company, with respect to the development of a medical marijuana dispensary facility in West Memphis, Arkansas.

Pursuant to the management agreement, NMG will provide operations and management services, including management, staffing, operations, administration, oversight, and other related services. Under the management agreement, NMG will be paid a monthly management fee equal to a percentage of the monthly net profits of CCG, subject to conversion of the convertible loan as discussed below upon which the monthly management fee shall be $6,000 per month, unless otherwise agreed by the parties in writing.

The convertible loan agreement is for an amount up to $1,250,000 from DEP to CCG with proceeds to be used to fund construction of a facility, working capital and initial operating expenses. The loan bears interest at a fixed rate of $6,000 per month until the parties mutually agree to increase the interest. Within one year of granting of a medical marijuana dispensary license or one year after entering into the convertible loan, DEP may elect to convert the loan into preferred units of CCG equal to 40% of all outstanding units of CCG, subject to approval of the Arkansas Medical Marijuana Commission.

Critical Accounting Policies

Our financial statements and accompanying notes have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

We regularly evaluate the accounting policies and estimates that we use to prepare our financial statements. In general, management's estimates are based on historical experience, on information from third party professionals, and on various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

We believe the following critical accounting policies require us to make significant judgments and estimates in the preparation of our consolidated financial statements.

- Income taxes

  The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

- Foreign currency

  The Company determines the functional currency through an analysis of several indicators such as expenses and cash flows, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

- Fair value of financial instruments

  Management uses valuation techniques, in measuring the fair value of financial instruments, where active market quotes are not available.

  In applying the valuation techniques, management makes maximum use of market inputs wherever possible, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. Such estimates include liquidity risk, credit risk and volatility may vary from the actual results that would be achieved in an arm's length transaction at the reporting date. The assessment of the timing and extent of impairment of intangible assets involves both significant judgements by management about the current and future prospects for the intangible assets as well as estimates about the factors used to quantify the extent of any impairment that is recognized.

- Intellectual property

  The recoverability of the carrying value of the intellectual property is dependent on numerous factors. The carrying value of these assets is reviewed by management when events or circumstances indicate that its carrying value may not be recovered. If impairment is determined to exist, an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount.

- Stock-based compensation

  The option pricing models require the input of highly subjective assumptions, particularly the expected stock price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02 (Topic 842) "Leases." Topic 842 supersedes the lease recognition requirements in Accounting Standards Codification ("ASC") Topic 840 "Leases." Under Topic 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases and provide enhanced disclosures. Leases will continue to be classified as either finance or operating. Topic 842 is effective for annual reporting periods and interim periods within those years beginning after 15 December 2018. Early adoption by public entities is permitted. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements, and there are certain optional practical expedients that an entity may elect to apply. Full retrospective application is prohibited. The Company does not anticipate this amendment to have a significant impact on the financial statements.

In June 2016, the FASB issued ASU No. 2016-13 "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. ASU 2016-13 is effective for annual reporting periods, and interim periods within those years beginning after 15 December 2019. The Company does not anticipate this amendment to have a significant impact on the financial statements.

Management of financial risks

The financial risk arising from the Company's operations are credit risk, liquidity risk, interest rate risk and currency risk. These risks arise from the normal course of operations and all transactions undertaken are to support the Company's ability to continue as a going concern. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

- Credit risk

  Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is not exposed to credit risk as it does not hold cash in excess of federally insured limits, with major financial institutions.

- Liquidity risk

  Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company had a working capital deficit of $574,832 as at January 31, 2019. In addition, the Company has incurred losses from operations to date and is currently attempting to implement its business plan; therefore, the Company is exposed to liquidity risk.

- Interest rate risk

  Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as it does not hold financial instruments that will fluctuate in value due to changes in interest rates.

- Currency risk

  Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to currency risk by incurring expenditures and holding assets denominated in currencies other than its functional currency. Assuming all other variables remain constant, a 1% change in the Canadian dollar against the US dollar would not result in a significant change to the Company's operations.

- Other risks

  The Company is not exposed to other risks unless otherwise noted.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company does not issue or invest in financial instruments or their derivatives for trading or speculative purposes. The limited operations of the Company were conducted primarily in Canada and the U.S.A., and, are not subject to material foreign currency exchange risk. Although the Company has outstanding debt and related interest expense, market risk of interest rate exposure in the United States is currently not material.

ITEM 4 - CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended, 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, Leonard Clough, and our Chief Financial Officer, Darren Tindale, to allow for timely decisions regarding required disclosure. Our Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures for our Company.

Our management has evaluated the effectiveness of our disclosure controls and procedures as of January 31, 2019 (under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer), pursuant to Rule 13a-15(b) promulgated under the Securities Exchange Act of 1934, as amended. As part of such evaluation, management considered the matters discussed below relating to internal control over financial reporting. Based on this evaluation, our Company's Chief Executive Officer and Chief Financial Officer has concluded that our Company's disclosure controls and procedures were effective as of January 31, 2019.

(b) Internal control over financial reporting

The term "internal control over financial reporting" is defined as a process designed by, or under the supervision of, the registrant's principal executive and principal financial officers, or persons performing similar functions, and effected by the registrant's board of directors, management and other personnel, 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 and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the registrant;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the registrant are being made only in accordance with authorizations of management and directors of the registrant; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the registrant's assets that could have a material effect on the financial statements.

A material weakness is defined in Public Company Accounting Oversight Board Auditing Standard No. 5 as a significant deficiency, or a combination of significant deficiencies, in internal control over financial reporting that results in there being more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

There have not been any changes in our internal control over financial reporting that occurred during our fiscal quarter ended January 31, 2019 that have materially affected, or are likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

The Company is not a party to any pending legal proceeding. We are not aware of any pending legal proceeding to which any of our officers, directors, affiliates or any beneficial holders of 5% or more of our voting securities are adverse to us or have a material interest adverse to us.

ITEM 1A - RISK FACTORS

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On 29 November 2018, the Company issued 1,105,083 common shares as a finance fee to Australis valued at $822,494. We relied on the exemption from registration under Rule 903 of Regulation S promulgated under the Securities Act for the issuance to Australis as the securities were issued to Australis through an offshore transaction which was negotiated and consummated outside of the United States.

On 30 November 2018, the Company issued 3,206,160 common shares upon exercise of 3,206,160 warrants by Australis at a price of CAD$0.50 per common share for aggregate proceeds of $1,205,196 (CAD$1,603,080). We relied on the exemption from registration under Rule 903 of Regulation S promulgated under the Securities Act for the issuance to Australis as the securities were issued to Australis through an offshore transaction which was negotiated and consummated outside of the United States.

On 11 December 2018, the Company issued 2,050,000 stock options in accordance with the Company’s stock option plan at an exercise price of CDN$0.57 per share for a five year term expiring 10 December 2023.
The options were granted to current directors, officers, employees and consultants of the Company. We relied upon the exemption from registration under the Securities Act provided by Rule 903 of Regulation S for optionees who are non-U.S. persons and on the exemption from registration provided by Section 4(a)(2) under the U.S. Securities Act for optionees who are U.S. persons.

On 31 January 2019, the Company issued 1,768,545 common shares to Australis for proceeds of $787,123 which is included in subscriptions receivable, pursuant to the Investment Agreement. We relied on the exemption from registration under Rule 903 of Regulation S promulgated under the Securities Act for the issuance to Australis as the securities were issued to Australis through an offshore transaction which was negotiated and consummated outside of the United States.

On 31 January 2019, the Company issued 2,380,398 common shares valued at $1,448,567 to 10 individuals/entities in relation to acquiring the remaining 70% of NMG Ohio LLC. We relied upon the exemption from registration under the Securities Act provided by Rule 903 of Regulation S for three individuals/entities who are non-U.S. persons and on the exemption from registration provided by Rule 506 and/or Section 4(a)(2) under the U.S. Securities Act for seven individuals/entities who are U.S. persons.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4 - MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 - OTHER INFORMATION

On 31 January 2019, the Company issued 2,380,398 common shares valued at $1,448,567 to 10 individuals/entities in relation to acquiring the remaining 70% of NMG Ohio LLC. We relied upon the exemption from registration under the Securities Act provided by Rule 903 of Regulation S for three individuals/entities who are non-U.S. persons and on the exemption from registration provided by Rule 506 and/or Section 4(a)(2) under the U.S. Securities Act for seven individuals/entities who are U.S. persons.

ITEM 6 - EXHIBITS

The following exhibits are included with this Quarterly Report:

Exhibit	Description of Exhibit
31.1	Certification of Chief Executive Officer pursuant to the Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).
31.2	Certification of Chief Financial Officer pursuant to the Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).
32.1	Certifications pursuant to the Securities Exchange Act of 1934 Rule 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.1NS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definitions Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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.

BODY AND MIND INC.

Date: March 25, 2019	By: */s/ Leonard Clough* Leonard Clough, President and Chief Executive Officer (Principal Executive Officer)
Date: March 25, 2019	By: */s/ Darren Tindale* Darren Tindale, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)