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 April 30, 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**<br>**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)

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| N/A | N/A | N/A |

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 June 19, 2019, was 97,272,558.

**BODY AND MIND INC.**
**FORM 10-Q**

**TABLE OF CONTENTS**

Table of contents

PART 1. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**Body and Mind Inc.** Statement 1

**Consolidated Interim Balance Sheets**
*(U.S. Dollars)*

| ASSETS | As at 30 April 2019 (Unaudited) | As at 31 July 2018 |
|---|---|---|
| **Current** | | |
| Cash and cash equivalents | $ 2,588,798 | $ 324,837 |
| Amounts receivable | 706,546 | 632,477 |
| Prepaids | 74,806 | 99,014 |
| Inventory *(Note 5)* | 1,674,756 | 953,417 |
| **Total Current Assets** | 5,044,906 | 2,009,745 |
| | | |
| **Convertible Loan Receivable** *(Note 6)* | 7,863 | - |
| **Investment in NMG Ohio LLC** *(Note 17)* | 3,106,258 | 77,600 |
| **Investment in GLDH** *(Note 18)* | 6,204,792 | - |
| **Property and Equipment** *(Note 7)* | 2,653,043 | 2,615,898 |
| **Brand and Licenses** *(Note 14)* | 8,172,000 | 8,172,000 |
| **Goodwill** *(Note 14)* | 2,635,721 | 2,635,721 |
| **TOTAL ASSETS** | $ 27,824,583 | $ 15,510,964 |
| | | |
| **LIABILITIES** | | |
| **Current** | | |
| Accounts payables | $ 778,257 | $ 447,703 |
| Accrued liabilities | 94,715 | 95,481 |
| Income taxes | 654,030 | 239,358 |
| Due to related parties *(Note 8)* | 112,509 | 51,081 |
| Notes payable *(Note 9)* | 4,616,476 | 2,175,000 |
| **Total Current Liabilities** | 6,255,987 | 3,008,623 |
| | | |
| **Convertible Debenture** *(Note 10)* | 1,168,852 | - |
| **Deferred Tax Liability** | 1,716,120 | 1,716,120 |
| **TOTAL LIABILITIES** | 9,140,959 | 4,724,743 |
| | | |
| **STOCKHOLDERS' EQUITY** | | |
| **Capital Stock**– *Statement 3 (Note 11)* | | |
| 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 14)* | 75,939 | 103,267 |
| **Equity component of convertible debenture** | 88,797 | - |
| **Other Comprehensive Income** | 612,826 | 532,405 |
| **Deficit** | (8,791,656) | (6,772,311) |
| **TOTAL STOCKHOLDERS' EQUITY** | 18,683,624 | 10,786,221 |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | $ 27,824,583 | $ 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 30 April | | Nine Month Period Ended 30 April | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Sales** | $ 1,238,494 | $ 787,512 | $ 3,760,217 | $ 1,618,967 |
| **Sales tax** | (215,846) | (107,965) | (463,192) | (140,914) |
| **Cost of sales** | (471,873) | (402,705) | (1,785,442) | (670,880) |
| | 550,775 | 276,842 | 1,511,583 | 807,173 |
| **General and Administrative Expenses** | | | | |
| Accounting and legal *(Note 8)* | 28,430 | 76,464 | 325,710 | 223,320 |
| Consulting fees *(Notes 8 and 16)* | 79,356 | 19,143 | 189,643 | 136,295 |
| Depreciation | 3,138 | 2,981 | 9,626 | 4,556 |
| Insurance | 15,254 | 6,071 | 54,030 | 11,006 |
| Interest expense *(Notes 9 and 10)* | 300,008 | 119,131 | 502,025 | 119,131 |
| Licenses, utilities and office administration | 59,127 | 60,789 | 469,746 | 221,265 |
| Listing fees | - | - | - | 471,408 |
| Management fees *(Note 8)* | 130,080 | 73,184 | 297,354 | 189,210 |
| Regulatory, filing and transfer agent fees | 17,974 | 3,280 | 67,023 | 19,187 |
| Rent | 49,267 | 22,000 | 85,629 | 33,000 |
| Salaries and wages | 224,437 | 144,830 | 607,577 | 241,171 |
| Stock-based compensation *(Notes 8 and 11)* | 10,836 | - | 881,644 | 733,679 |
| Travel | 8,549 | 10,319 | 22,275 | 14,878 |
| | (926,456) | (538,192) | (3,512,282) | (2,418,106) |
| **Loss Before Other Items** | (375,681) | (261,350) | (2,000,699) | (1,610,933) |
| **Other Items** | | | | |
| Foreign exchange, net | 52,791 | (21,958) | (43,158) | (91,427) |
| Interest income | 442,380 | 2,185 | 442,380 | 2,185 |
| Management fee income | 9,000 | - | 9,000 | - |
| Gain (loss) of equity investee *(Note 7)* | 19,363 | - | (12,196) | - |
| Write off of amounts receivable | - | - | - | (883) |
| **Net Income (Loss) for the Period Before Income Tax** | $ 147,853 | $ (281,123) | $ (1,604,673) | $ (1,701,058) |
| Income tax expense | (191,724) | - | (414,672) | - |
| **Net Income (Loss) for the Period** | (43,871) | (281,123) | (2,019,345) | (1,701,058) |
| **Other Comprehensive Income (Loss)** | | | | |
| Foreign currency translation adjustment | 106,735 | (149,856) | 80,421 | (16,936) |
| **Comprehensive Income (Loss) for the Period** | $ 62,864 | $ (430,979) | $ (1,938,924) | $ (1,717,994) |
| **Earnings (Loss) per Share – Basic and Diluted** | $ (0.00) | $ (0.01) | $ (0.03) | $ (0.05) |
| **Weighted Average Number of Shares Outstanding** | 72,628,084 | 47,704,317 | 62,253,943 | 36,572,733 |

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 | Convertible | Comprehensive | | |
| | Number | Amount | Capital | Issued | 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 11)* | 9,739,534 | 974 | 5,025,520 | - | - | - | - | 5,026,494 |
| Acquisition of Nevada Medical Group LLC *(Notes 11 and 14)* | 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 11 and 14)* | 70,500 | 7 | 31,928 | (31,935) | - | - | - | - |
| Stock-based compensation *(Note 11)* | - | - | 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 11)* | 16,000,000 | 1,600 | 4,882,240 | - | - | - | - | 4,883,840 |
| Exercise of warrants *(Note 11)* | 3,206,160 | 321 | 1,204,875 | - | - | - | - | 1,205,196 |
| Issuance of escrowed shares *(Note 11)* | 70,500 | 7 | 27,321 | (27,328) | - | - | - | - |
| Share issue costs (Note 11) | 322,581 | 31 | (270,767) | - | - | - | - | (270,736) |
| Finance fee for promissory note *(Note 9 and 11)* | 1,105,083 | 111 | 822,383 | - | - | - | - | 822,494 |
| Investment agreement with Australis *(Note 11 and 16)* | 1,768,545 | 177 | 786,946 | - | - | - | - | 787,123 |
| Acquisition of NMG Ohio LLC *(Note 11 and 17)* | 2,380,398 | 238 | 1,448,567 | - | - | - | - | 1,448,805 |
| Equity component of convertible debenture *(Note 10)* | - | - | - | - | 88,797 | - | - | 88,797 |
| Stock-based compensation *(Note 8 and 11)* | - | - | 870,808 | - | - | - | - | 870,808 |
| Foreign currency translation adjustment | - | - | - | - | - | 80,421 | - | 80,421 |
| Loss for the period | - | - | - | - | - | - | (2,019,345) | (2,019,345) |
| **Balance – 30 April 2019** | 72,628,084 | $ 7,263 | $ 26,690,455 | $ 75,939 | $ 88,797 | $ 612,826 | $ (8,791,656) | $ 18,683,624 |

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

Table of contents

**Body and Mind Inc.** Statement 4

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

| | Nine Month Period Ended 30 April | |
|---|---|---|
| **Cash Resources Provided By (Used In)** | 2019 | 2018 |
| **Operating Activities** | | |
| Loss for the period | $ (2,019,345) | $ (1,701,058) |
| Items not affecting cash: | | |
| Accrued interest and accretion | 502,025 | 119,131 |
| Accrued interest income | (433,380) | - |
| Depreciation | 213,727 | 4,556 |
| Foreign exchange | (18,774) | 1,484 |
| Income tax | 414,672 | - |
| Loss of equity investee | 12,196 | - |
| Stock-based compensation | 881,644 | 733,679 |
| Write off of amounts receivable | - | 883 |
| Amounts receivable and prepaids | (49,861) | (218,588) |
| Inventory | (721,339) | (373,693) |
| Trade payables and accrued liabilities | 329,788 | 117,530 |
| Due to related parties | 61,428 | 31,881 |
| | (827,219) | (1,284,195) |
| **Investing Activities** | | |
| Business combination, net of cash acquired | - | (2,194,663) |
| Pepper Lane North deposits | - | (250,000) |
| Investment in NMG Ohio, LLC | (1,592,049) | - |
| Investment in GLDH | (5,771,459) | - |
| Purchase of property and equipment | (250,872) | (494,141) |
| Convertible loan receivable | (7,863) | - |
| | (7,622,243) | (2,938,804) |
| **Financing Activities** | | |
| Issuance of shares, net of share issue costs | 6,605,423 | 5,142,487 |
| Loans obtained | 5,202,579 | (222,196) |
| Loans repaid | (1,175,000) | - |
| | 10,633,002 | 4,920,291 |
| Effect of exchange rate changes on cash | 80,421 | (16,936) |
| **Net Increase in Cash** | 2,263,961 | 680,356 |
| Cash– Beginning of Period | 324,837 | 366,584 |
| **Cash– End of Period** | $ 2,588,798 | $ 1,046,940 |

**Supplemental Disclosures with Respect to Cash Flows** *(Note 13)*

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 cannabis 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 nine months ended 30 April 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 30 April 2019, the Company had cash of $2,588,798 (31 July 2018 – $324,837) and a working capital deficit of $1,211,081 (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 favorable 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 30 April 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 cannabis 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 probable 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 30 April 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 cannabis. 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 30 April 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.

**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 30 April 2019 and 31 July 2018:

| | As at 30 April 2019 | As at 31 July 2018 |
|---|---|---|
| **Financial assets at fair value** | | |
| Cash | $ 2,588,798 | $ 324,837 |
| Convertible loan receivable | 7,863 | - |
| | | |
| **Total financial assets at fair value** | $ 2,596,661 | $ 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 related to cash and cash equivalents as it does not hold cash in excess of federally insured limits, with major financial institutions. Credit risk associated with the convertible loan receivable (including the investment in GLDH) arises from the possibility that the principal and/or interest due may become uncollectible. The Company mitigates this risk by managing and monitoring the underlying business relationship.

**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 $1,211,081 as at 30 April 2019. However, 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**

| | 30 April 2019 | 31 July 2018 |
|---|---|---|
| Raw materials | $ 9,320 | $ 9,705 |
| Work in progress | 114,019 | 151,039 |
| Finished goods | 932,690 | 567,563 |
| Consumables | 618,727 | 225,110 |
| **Total** | $ 1,674,756 | $ 953,417 |

**6. Convertible loan receivable**

Effective March 15, 2018, 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 cannabis 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 66.67% 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.

**6. Convertible loan receivable** – *Continued*

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 cannabis Commission.

The Company evaluated the convertible loan receivable's settlement provisions and elected the fair value option in accordance with ASC 825 "Financial Instruments", to value this instrument. Under such election, the loan receivable is measured initially and subsequently at fair value, with any changes in the fair value of the instrument being recorded in the consolidated financial statements as a change in fair value. The Company estimates the fair value of this instrument by first estimating the fair value of the straight debt portion, excluding the embedded conversion option, using a discounted cash flow model. The Company then estimates the fair value of the embedded conversion option using the Black-Scholes Option Pricing Model. The sum of these two valuations is the fair value of the loan receivable. Management believes that the accretion of the straight debt portion and embedded derivative related to the conversion option are not material. During the nine months ended 30 April 2019, the Company advanced $7,863 (2018 - $Nil) and accrued interest income of $9,000 (2018 - $Nil).

**7. 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 | 28,647 | 22,701 | - | - | 528 | 191,505 | 250,872 |
| Balance, 30 April 2019 | 32,077 | 463,756 | 284,658 | 27,694 | 38,717 | 2,172 | 2,185,433 | 3,034,507 |
| **Accumulated Depreciation:** | | | | | | | | |
| Balance, 31 July 2018 | 3,177 | 41,169 | 25,446 | 2,554 | 5,500 | 228 | 89,663 | 167,737 |
| Depreciation | 3,828 | 55,046 | 32,608 | 3,327 | 5,797 | 268 | 112,853 | 213,727 |
| Balance, 30 April 2019 | 7,005 | 96,215 | 58,054 | 5,881 | 11,297 | 496 | 202,516 | 381,464 |
| **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 30 April 2019 | **$ 25,072** | **$ 367,541** | **$ 226,604** | **$ 21,813** | **$ 27,420** | **$ 1,676** | **$ 1,982,917** | **$ 2,653,043** |

**8. Related Party Balances and Transactions**

In addition to those disclosed elsewhere in these consolidated financial statements, related party transactions for the nine month period ended 30 April 2019 and 2018 are as follows:

a) During the nine months ended 30 April 2019, accounting fees of $28,573 (2018 - $22,088) 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 nine months ended 30 April 2019, management fees of $68,103 (2018 - $43,544) and consulting fees of $Nil (2018 - $69,000) were paid/accrued to companies related to the Chief Executive Officer of the Company.

c) During the nine months ended 30 April 2019, management fees of $150,673 (2018 - $93,869) were paid/accrued to a company controlled by a director of the Company.

d) During the nine months ended 30 April 2019, management fees of $45,402 (2018 - $35,627) were paid/accrued to a company controlled by the Chief Financial Officer of the Company.

e) During the nine months ended 30 April 2019, management fees of $Nil (2018 - $2,712) were paid/accrued to a former Chief Executive Officer of the Company.

f) During the nine months ended 30 April 2019, management fees of $Nil (2018 - $9,500) were paid/accrued to a former Chief Executive Officer of the Company.

g) As at 30 April 2019, the Company owed $23,467 (31 July 2018 - $17,028) to the Chief Executive Officer of the Company and a company controlled by him.

h) As at 30 April 2019, the Company owed $27,379 (31 July 2018 - $4,033) to the Chief Financial Officer of the Company

i) As at 30 April 2019, the Company owed $12,031 (31 July 2018 - $1,210) to a director of the Company and a company controlled by him.

j) As at 30 April 2019, the Company owed $49,632 (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 9). Included in stock-based compensation is $612,850 incurred to related parties.

**9. 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 14). 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 nine months ended 30 April 2019, the Company accrued interest expense of $16,577 (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. As 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. During the nine months ended 30 April 2019, the Company accrued interest expense of $16,438 (2018 - $277,219).

**9. Notes Payable** – *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 18). 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 11). During the nine months ended 30 April 2019, the Company accrued interest and accretion expense of $422,532 (2018 - $Nil).

| | 30 April 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 | 438,970 | 277,219 |
| Foreign exchange adjustment | - | 10,504 |
| **Balance, ending** | $ 4,616,476 | $ 2,175,000 |

**10. Convertible debenture**

In connection with an investment agreement with Australis on 30 October 2018 (Note 16), 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%. During the nine months ended 30 April 2019, the Company accrued interest expense of $48,296 (2018 - $Nil).

| | 30 April 2019 | 31 July 2018 |
|---|---|---|
| Balance, beginning | $ - | $ - |
| Issuance of convertible debenture | 1,128,750 | - |
| Interest and accretion expense | 64,541 | - |
| Foreign exchange adjustment | (24,439) | - |
| **Balance, ending** | $ 1,168,852 | $ - |

**11. 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 (Note 14). Unless otherwise noted, all figures in the financial statements are retroactively adjusted to reflect the consolidation.

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 14).

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 14).

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 14). The Company is obligated to issue 423,000 common shares, which have a fair value of $135,202 (Note 14). 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 14). 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 14).

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.

**11. Capital Stock** – *Continued*

On 29 November 2018, the Company issued 1,105,083 common shares as a finance fee to Australis valued at $822,494 (Note 9).

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 16).

On 31 January 2019, the Company issued 2,380,398 common shares valued at $1,448,805 in relation to acquiring the remaining 70% of NMG Ohio LLC (Note 17).

**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 CAD$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 CAD$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 CAD$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.

**11. Capital Stock** – *Continued*

The fair value of the stock options was calculated to be $881,644 (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% |

| | 30 April 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 |

**Share purchase warrants and brokers' warrants**

| | 30 April 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 |
| Warrants exercised | (3,206,160) | CAD$0.50 | - | - |
| | | | | |
| Closing balance | 22,900,660 | CAD$0.67 | 10,106,820 | CAD$0.89 |

As at 30 April 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 | | |

**12. Segmented Information**

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

### 13. Supplemental Disclosures with Respect to Cash Flows

| | Nine Month Period Ended 30 April | |
|---|---|---|
| | 2019 | 2018 |
| Cash paid during the period for interest | $ - | $ - |
| Cash paid during the period for income taxes | $ - | $ - |

### 14. 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 cannabis.
v
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);
- 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 11).

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.

**14. Business Acquisition** – *Continued*

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 totaling $2,175,000 were discounted to a present value of $1,887,277 (Note 9). 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 11).

As a result of the acquisition of NMG, the Company changed its business focus to growing and supplying medical and recreational cannabis 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** |

**14. Business Acquisition** – *Continued*

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.

**15. 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.

**16. 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 11), and (ii) CAD$1,600,000 principal amount 8% unsecured convertible debentures (Note 9).

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 will enter 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 Canadian Securities Exchange ("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 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 11).

**17. 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 nine month period ended April 30, 2019, the Company advanced an additional $435,272 to NMG Ohio to fund the build-out of a dispensary.

On 31 January 2019, the Company entered into a definitive agreement ("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 April 30, 2019 the Company had issued 2,380,398 of the 3,173,864 common shares with a fair value of $1,448,805. During the nine months ended April 30, 2019, the Company made cash payments of $1,181,250. At 30 April 2019 the Definitive Agreement had not closed.

The remaining cash payments totaling $393,750 and the remaining issuance of 793,466 common shares are expected to be paid and issued upon completion of the remaining Definitive Agreement closing items.

Until such time as the Definitive Agreement closes, the Company will continue to account for its 30% ownership interest in NMG Ohio as an investment using the equity method of accounting. During the nine months ended April 30, 2018, NMG Ohio recorded net revenues of $401,942, expenses of $442,596 and net income of $40,654. The Company recorded $12,196 relating to its 30% pro rata share of net loss and was included in other items on the statement of operations.

| | | 30 April 2019 |
|---|---|---|
| Balance, 31 July 2018 | $ | 77,600 |
| Acquisition costs: Common shares issued to vendors at fair value | | 1,448,805 |
| Acquisition costs: Cash payments to vendors | | 1,181,250 |
| Dispensary build-out related costs | | 410,799 |
| Equity loss | | (12,196) |
| **Total** | $ | 3,106,258 |

**18. Loans to 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 $562,585 was advanced to cover payables and which shall be repaid at an unspecified date. During the nine months ended 30 April 2019, the Company accrued interest income of $433,380 (2018 - $Nil).

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 totaling $6,297,580 payable in 11,255,899 shares of the Company at a price of CAD$0.7439 upon GLDH meeting certain milestones.

| | | 30 April 2019 |
|---|---|---|
| Senior secured note | $ | 5,200,000 |
| GLDH working capital advances | | 571,412 |
| Interest income | | (433,380) |
| **Total** | $ | 6,204,792 |

**19. Subsequent Events**

i. The Company closed a private placement of 11,780,904 units ("Unit") at a price of $0.93 (CAD$1.25) per unit for aggregate gross proceeds of $10,956,241 (CAD$14,726,130) (the "Offering). Each Unit is comprised of one common share of the Company (each, a "Share") and one common share purchase warrant of the Company (each, a "Warrant"). Each Warrant entitles the holder thereof to acquire one common share of the Company (each, a "Warrant Share") at an exercise price of CAD$1.50 per Warrant Share for a period of 48 months following the closing date, subject to adjustment in certain events. The Agents received a cash commission on the sale of the Offering to non-U.S. persons of CAD$793,937.50. The Agents also received as additional consideration 635,150 non-transferable broker warrants (each, a "Broker Warrant"). Each Broker Warrant entitles the holder thereof to acquire one Unit of the Company at an exercise price of CAD$1.25 per Unit for a period of 48 months following the closing date. M Partners Inc. also received a corporate finance fee of CAD$84,750.

ii. The Company issued 12,793,840 common shares upon exercise of 12,793,840 warrants by Australis at a price of CAD$0.50 per common share for aggregate proceeds of $4,733,721 (CAD$6,396,920). The proceeds were used, in part, to fully repay an outstanding senior secured note (the "Note") in the amount of $4,495,890.41 owing to Australis by the Company. Payment of the Note included the principal amount of $4,000,000 including accrued interest and an early repayment fee. The remaining Warrant Proceeds will be used for working capital purposes.

iii. The Company and NMG entered into a management and administrative services agreement (the "Management Agreement") with Satellites Dip, LLC, ("SD"), a licensed cannabis business conducting commercial cannabis activity within the state of California. The one year Management Agreement commenced on June 6, 2019 and encompasses the following:

a. Management Fee: NMG will be paid a management fee of 30 % of Net Profits or Ten Thousand Dollars ($10,000) per month, whichever is greater.

b. Brand Licensing: NMG shall work to broker commercial arrangements between SD and third-party cannabis brand owners whereby SD licenses commercial cannabis brands from third parties in connection with SD's commercial cannabis activity in exchange for a license fee;

c. Equipment and Capital: NMG shall furnish all equipment and machinery necessary for SD's manufacturing of the Branded Products. Any equipment provided by NMG to SD shall be owned by NMG in its entirety and, subject to SD's approval of the terms, leased to SD pursuant to an Equipment Lease Agreement entered into between NMG and SD, dated June 6, 2019; and

d. Loan: The Parties have entered into a certain secured loan agreement dated June 6, 2019 whereby NMG has loaned SD Two Hundred and Fifty Thousand Dollars ($250,000) (the "Loan") to be used solely in connection with SD's commercial cannabis activity. The Loan shall be due and payable on June 6, 2020 (the "Maturity Date") and shall bear interest at a rate of 12% per annum which shall be accrued, compounded quarterly and payable on the Maturity Date. The Loan will be secured by a security interest in and to all of SD's assets.

## 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 were incorporated in the State of Delaware on November 5, 1998, 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, 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, we merged with and into Deploy under the laws of the State of Nevada. Deploy, as the surviving corporation of the merger, assumed all the assets, obligations and commitments of Deploy Tech, and we were effectively redomiciled in the State of Nevada. 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 – that is, our Company's - issued and outstanding common stock.

On November 14, 2017, we completed the acquisition of NMG pursuant to a share exchange agreement, changed our name to "Body and Mind, Inc.", and assumed the business of NMG, a licensed producer and cultivator of cannabis products with operations in Nevada.

On March 19, 2018, we, acting through our wholly-owned subsidiaries DEP Nevada Inc. ("**DEP**") and NMG, entered into a convertible loan agreement (the "**Convertible Loan Agreement**") and a management agreement (the "**Management Agreement**"), respectively, with Comprehensive Care Group LLC ("**CCG**"), an Arkansas limited liability company, with respect to the development of a medical cannabis dispensary facility in West Memphis, Arkansas. Each of the Convertible Loan Agreement and the Management Agreement is effective as of March 15, 2019. Pursuant to the Convertible Loan Agreement, DEP has agreed to make loan advances to CCG from time to time in the aggregate principal amount of up to $1,250,000. The loan proceeds are to be used to fund the construction of the medical cannabis dispensary facility, and to provide working capital to cover initial operating expenses. The loan facility will mature on March 30, 2021, subject to extension. Upon the latter of: (a) one year after granting of a medical cannabis dispensary license by the Arkansas Medical Marijuana Commission to CCG, or (b) one year after entering into the Convertible Loan Agreement, DEP may, in its sole discretion, elect to convert all of the outstanding indebtedness into preferred units of CCG equal to 40% of the overall member units of CCG, subject to approval of the Arkansas Medical Marijuana Commission.

Pursuant to the Management Agreement, NMG has agreed to provide operations and management services, including management, staffing, operations administration, oversight and other related services, to CCG's retail facility, located in West Memphis, Arkansas. In consideration for the services provided NMG, CCG has agreed to pay NMG a monthly management fee in the amount equal to 66.67% of the monthly net profits (as calculated under the Management Agreement) of CCG for the immediately-preceding month. If the DEP exercises it conversion rights under the Convertible Loan Agreement, then NMG's monthly management fee shall equal $6,000.00 per month, unless otherwise agreed by the parties in writing.

On June 7, 2018, we, acting through NMG, acquired a 30% interest in NMG Ohio LLC ("**NMG Ohio**"), which owns a cannabis dispensary carrying on business as "The Clubhouse" in Elyria, Loraine County, Ohio, and a production license. On January 31, 2019, we entered into a definitive agreement to acquire the remaining 70% interest in NMG Ohio through NMG. The consideration for the remaining 70% interest in NMG Ohio is to consist of cash payments totaling $1,575,000 and 3,173,864 common shares of the Company. As at the date hereof, we have issued 2,380,398 of the 3,173,864 common shares with a fair value of $1,448,567, and paid approximately $600,000. Closing of the acquisition remains subject to receipt of regulatory approval, which is anticipated to be granted within the next 12 months, although this cannot be assured.

On October 30, 2018, we entered into a strategic investment agreement (the "**Investment Agreement**") with Australis Capital Inc. ("**Australis**"), an Alberta corporation that has its common shares listed on the Canadian Securities Exchange (the "**CSE**"), whereby Australis agreed to acquire: 16,000,000 units of our Company, with each unit being comprised of one share of our common stock and one common share purchase warrant at a purchase price of CAD$0.40 per unit, for gross proceeds of CAD$6,400,000; and CAD$1,600,000 principal amount 8% unsecured convertible debentures (the "**Debentures**") of our Company having a maturity date of two years from the date of issue. The Debentures are convertible at the option of Australis into common shares of our Company 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.

Pursuant to the Investment Agreement, we entered into a commercial advisory agreement (the "**Commercial Advisory Agreement**") with Australis Capital (Nevada) Inc. ("**Australis Nevada**"), a wholly-owned subsidiary of Australis, pursuant to which Australis Nevada has agreed to provide advisory and consulting services to our Company for a fee of $10,000 per month payable on the first day of each 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 our Company's issued and outstanding common shares.

Pursuant to the terms of the Investment Agreement and subject to applicable laws and the rules of the CSE, for as long as Australis owns at least 10% of our issued and outstanding common shares, Australis will be entitled to nominate one director for election to our Board of Directors of the Company. If Australis exercises all of its warrants and converts all of its debentures, Australis will be entitled to nominate a second director for election to our Board of Directors. Further, for as long as Australis maintains ownership of at least 25% of our issued and outstanding common shares, Australis will be entitled to maintain two directors on our Board of Directors. Mr. Scott Dowty, Chief Executive Officer and a director of Australis, was appointed as a director of our Company to replace then-existing board member Chris Macleod, upon closing of Australis's strategic investment under the Investment Agreement on November 2, 2018.

The Investment Agreement provides for certain restriction on how the proceeds of the financing are to be applied, including the requirement that $1,925,000 be used by our Company for strategic acquisitions and/or investment opportunities within the State of Ohio, and $1,650,000 is to be allocated to the development, build out and equipment purchases for NMG Ohio's dispensary and/or production facility, unless the parties agree to allocate the funds to the development of the our Company's production facility in Nevada.

On November 28, 2018, we entered into a binding interim agreement with Green Light District Holdings Inc. ("**GLDH**"), a private company incorporated under the laws of Delaware, and David Barakett whereby our Company agreed to acquire up to 100% of the issued and outstanding common shares of GLDH, in connection with a strategic investment by our Company in a senior securities convertible note issued by GLDH. GLDH is the owner of the ShowGrow dispensary brand and owner of the ShowGrow Long Beach dispensary, 43% of the equity interest and 60% of the voting rights in the ShowGrow San Diego dispensary, 30% of the equity interest in ShowGrow Las Vegas (which interest is currently in dispute), and 100% ownership of the ShowGrow app. The dispensaries are in various stages of licensing: Long Beach has a medical license, San Diego has a conditional use permit, and Las Vegas has a recreational license. GLDH focuses on building dispensaries in high volume locations and plans to continue to work toward receiving its recreational status at both Long Beach and San Diego. ShowGrow San Diego still requires build out and is not yet open for business.

Pursuant to our agreement with GLDH, we have acquired a senior secured convertible note from GLDH in the principal amount of $5,200,000, bearing interest at a rate of 20% per annum and maturing on November 28, 2020. The note is secured by a general security agreement and a UCC-1 financing statement in all U.S. states where GLDH has assets. The note is convertible into 89.75% of the shares of GLDH at the option of our Company. In addition, we have agreed to issue additional consideration to Mr. Barakett totalling $6,297,580, payable in common shares of our Company at a price of CAD$0.7439 upon meeting certain milestones. The price was calculated with reference to the 5-day volume weighted average price of our common shares on the CSE as of November 28, 2018.

In order to fund our Company's investment in GLDH, Australis advanced $4,000,000 loan which is evidenced by a senior secured note bearing an interest rate of 15% per annum and maturing in two years. The terms require semi-annual interest payments unless we elect to accrue the interest by adding it to the principal amount of the debt facility. We will maintain prepayment rights at any time, in any amount, unless it is within the first year in which case we will be required to pay a 5% prepayment penalty on the amount repaid. Additionally, Australis exercised $1.2 million in warrants they held in our Company at an exercise price of CAD $0.50, which equated to 3,206,160 common shares.

We paid a finance fee to Australis in the amount of 1,105,083 common shares of our Company, which were issued at a deemed price of CAD $0.72 per share. We also paid a financial advisory fee of CAD $150,000.

On June 6, 2019, our Company, acting through our California subsidiary, NMG Cathedral City, LLC (" **NMGCC**") entered into a management and administrative services agreement (the "**Management Agreement**") with Satellites Dip, LLC, a California limited liability company ("**SD**") that is licensed cannabis business conducting commercial cannabis activity within the state of California, whereby NMGCC has been engaged to provide certain management and administrative services in connection with the day-to-day administration of SD's business (the "**Services**"). The Services may include, without limitation, the following services: (i) management of operations; (ii) inventory management; (iii) equipment and physical maintenance; (iv) regulatory compliance; (v) payroll; (vi) human resources services; (vii) marketing services; (viii) information technology services; (ix) legal services; (x) tax services; (xi) accounting services; (xii) security services; (xiii) controlling the operating budget; (xiv) facility inspections; (xv) detailed records and accounts related to SD's business and to track key performance indicators; and (xvi) all other activities that NMGCC or SD determines in its reasonable judgment are necessary or desirable for the day-to-day operation or management of SD's business. The Services are being provided by NMGCC to SD in exchange for a management fee of the greater of: (a) thirty percent (30%) of net profits (as such term is defined in the Management Agreement); or (b) $10,000 per month.

In addition, the Management Agreement provides that NMGCC shall work to broker commercial arrangements between SD and third-party cannabis brand owners whereby SD licenses commercial cannabis brands from third parties in connection with SD's commercial cannabis activity in exchange for a license fee. Specifically, within thirty (30) days of the effective date of the Management Agreement, NMGCC shall broker a commercial arrangement between its affiliate company, Nevada Medical Group, LLC and SD whereby SD licenses the trademarks and other intellectual property to be used in connection with SD's manufacturing of cannabis products bearing such licensed trademarks (the "**Branded Products**") on terms as favorable as the most favored licensee.

Furthermore, the Management Agreement provides that NMGCC shall furnish all equipment and machinery necessary for SD's manufacturing of the Branded Products. Any equipment provided by NMGCC to SD shall be owned by NMGCC in its entirety and, subject to SD's approval of the terms, leased to SD pursuant to the Equipment Lease Agreement entered into between NMGCC and SD on June 6, 2019 (the "**Equipment Lease**").

The Management Agreement shall be in full force and effect until June 6, 2020 (the "**Term**"). During the Term, the Management Agreement may not be terminated, except in the event that one party materially breaches the Management Agreement, which breach cannot reasonably be cured or remains uncured for thirty (30) days after the non-breaching party provides written notice of the breach to the breaching party. Prior to the expiration of the initial Term, either party can send written notice to the other party of its intent to renew the Management Agreement for a subsequent one (1) year renewal term (the "**Renewal Term**") at least thirty (30) days prior to the expiration of the then current term. If the parties mutually agree, the term shall be extended for the Renewal Term.

Pursuant to the Equipment Lease, the lease of any item of equipment is to be governed by the terms and conditions of the Equipment Lease. The Equipment Lease and the provision thereof, shall be in full force and effect until June 6, 2020 (the "**Initial Term**") and prior to expiration of the Initial Term, either party can send written notice to the other party of its intent to renew the Equipment Lease for a subsequent one year term (the "**Renewal Term**") at least thirty (30) days prior to the expiration of the then current term. If the parties mutually agree, the term shall be extended for a subsequent Renewal Term. If no party has provided the other party with thirty (30) days' prior written notice of its intention to renew the term, the Equipment Lease shall automatically terminate upon the conclusion of the current term.

In consideration of the rights granted under the Equipment Lease, SD shall pay monthly rent (the "**Rent**") to NMGCC each calendar month from the duration of the term, which shall be in US dollars. The Rent payable to NMGCC shall be calculated as of the last calendar day of each calendar month and shall be paid no later than five (5) days following the end of the preceding calendar month. It is the intent of the parties that the Rent be completely net to NMGCC so that NMGCC shall not be liable for any costs or expenses of any nature whatsoever relating to the equipment or any improvements to the equipment or use of the equipment, or the contents of the equipment, or the business carried on therein, and SD shall be solely responsible for any such costs, charges, expenses, and outlays, including taxes, maintenance, and repairs.

In conjunction with entering into the Management Agreement, the Company through NMGCC entered into a loan and security agreement (the "**Loan Agreement**") with SD, dated June 6, 2019, whereby NMGCC has loaned SD US$250,000 (the "**Loan**") to fund the property and business improvements and expansion needs of SD's business operations. The Loan shall be due and payable on June 6, 2020 (the "**Maturity Date**") and shall bear interest at a rate of 12% per annum which shall be accrued, compounded quarterly and payable on the Maturity Date. The Maturity Date may be extended upon mutual agreement of the parties. SD may prepay, in whole or in part, all or any portion of the principal amount of, and accrued interest on the Loan without being subject to any pre-payment penalty; and any pre-payment shall be accomplished by the payment of all accrued and unpaid interest owed under the Loan. The Loan will be evidenced by a promissory note (the "**Promissory Note**"), which form of promissory note is attached to the Loan Agreement as Exhibit A. In addition, the performance of SD of its obligations under the Loan Agreement and the Promissory Note are secured pursuant to a certain security agreement (the "**Security Agreement**") between the parties, which form of Security Agreement is attached to the Loan Agreement as Exhibit B, whereby SD grants, mortgages, pledges, assigns, transfers, conveys and delivers to NMGCC a security interest in and to all of SD's right, title and interest in the "Collateral" as defined in the Security Agreement.

**Plan of Operations**

***Past business of Deploy***

Prior to the acquisition of NMG, we were 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, which we patented under patent #2798525 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 adult-use recreational cannabis.

**Description of Business**

We are a Nevada corporation that, through our wholly-owned subsidiary, NMG, is engaged in the cultivation, production and retail of medical and adult-use recreational cannabis products. NMG was awarded one of the first medical cannabis cultivation licences and holds cultivation and manufacturing licenses. Our products include dried flower, edibles, oils and extracts as well as GPEN Gio cartridges and Lucid Mood offerings.

We continue to expand operations in Nevada, Arkansas, Ohio and investment in California and we plan to focus time and resources on improving operational efficiencies, facility expansions, state licensing opportunities as well as mergers and acquisitions.

***Results of Operations for the three month periods ended April 30, 2019 and 2018***

The following table sets forth our results of operations for the three month periods ended April 30, 2019 and 2018:

| | **April 30, 2019 $** | **April 30, 2018 $** |
|---|---|---|
| Sales, net of taxes | 1,022,648 | 679,547 |
| Cost of Sales | (471,873) | (402,705) |
| Gross Margin | 550,775 | 276,842 |
| General and Administrative Expenses | (926,456) | (538,192) |
| Foreign Currency Translation Adjustment | 106,735 | (149,856) |
| Comprehensive Income (Loss) | 62,864 | (430,979) |
| Basic and Diluted Earnings (Loss) Per Share | (0.00) | (0.01) |

*Revenues*

For the three month period ended April 30, 2019 we had total net sales of $1,022,648 and cost of sales of $471,873 for a gross margin of $550,775 compared total net sales of $679,547 and cost of sales of $402,705 for a gross margin of $276,842 in the three month period ended April 30, 2018. During the three months ended April 30, 2019, the Company recorded product sales as follows:

| **Revenues – By Product** | **Three months ended April 30, 2019 $** | **%** |
|---|---|---|
| Flower | 553,158 | 45 |
| Concentrates | 357,175 | 29 |
| Edibles | 144,011 | 11 |
| Pre-rolled | 184,150 | 15 |
| | | |
| Total | 1,238,494 | 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 April 30, 2019, operating expenses totaled $926,456 compared with $538,192 for the three month period ended April 30, 2018. A significant reason for the increase in operating expenses between the periods related to interest expense of $300,008 (2018 - $119,131). Interest expense increased on the note payable to Australis Capital Inc. of $4,000,000, note payable to former NMG members of $1,000,000 and convertible debenture to Australis Capital Inc. of CAD$1,600,000.

*Other Items*

During the three month period ended April 30, 2019, our other items accounted for $523,534 in income as compared to $19,773 in expenses for the three month period ended April 30, 2018. The significant components in other items primarily relates to the Company's proportion of loss on equity investee in NMG Ohio LLC of $19,363 (2018 - $Nil) and interest income on the secured convertible note related to the investment in GLDH and convertible loan receivable from CCG in the amount of $442,380 (2018 - $2,185).

*Net Income (Loss)*

Net loss for the quarter ended April 30, 2019 totaled $43,871 compared with a net loss of $281,123 for the quarter ended April 30, 2018. This significant decrease in loss can primarily be attributed to interest income recorded in the three months ended April 30, 2019 in the amount of $442,380 and only $2,185 in the comparable 2018 three month period.

*Other Comprehensive Income (Loss)*

We recorded translation adjustments gain of $106,753 and loss of $149,856 for the three months ended April 30, 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 nine month periods ended April 30, 2019 and 2018***

The following table sets forth our results of operations for the nine month periods ended April 30, 2019 and 2018:

| | April 30, 2019 $ | April 30, 2018 $ |
|---|---|---|
| Sales, net of taxes | 3,297,025 | 1,478,053 |
| Cost of Sales | (1,785,442) | (670,880) |
| Gross Margin | 1,511,583 | 807,173 |
| General and Administrative Expenses | (3,512,282) | (2,418,106) |
| Foreign Currency Translation Adjustment | 80,421 | (16,936) |
| Comprehensive Loss | (1,938,924) | (1,717,994) |
| Basic and Diluted Loss Per Share | (0.03) | (0.05) |

*Revenues*

For the nine month period ended April 30, 2019 we had total net sales of $3,297,028 and cost of sales of $1,785,442 for a gross margin of $1,511,583 compared to total net sales of $1,478,053 and cost of sales of $670,880 for a gross margin of $807,173 in the nine month period ended April 30, 2018.

During the nine months ended April 30, 2019, the Company recorded product sales as follows:

| Revenues – By Product | Nine months ended April 30, 2019 $ | % |
|---|---|---|
| Flower | 1,450,489 | 39 |
| Concentrates | 1,404,754 | 37 |
| Edibles | 348,087 | 9 |
| Pre-rolled | 556,887 | 15 |
| | | |
| Total | 3,760,217 | 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 nine month period ended April 30, 2019, operating expenses totaled $3,512,282 compared with $2,418,106 for the nine month period ended April 30, 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, 2,050,000 stock options granted to current directors, officers, employees and consultants of the Company and interest expense increased on the note payable to Australis Capital Inc. of $4,000,000, note payable to former NMG members of $1,000,000 and convertible debenture to Australis Capital Inc. of CAD$1,600,000.

*Other Items*

During the nine month period ended April 30, 2019, our other items accounted for $396,026 in income as compared to $90,125 for the nine month period ended April 30, 2018. The significant components in other items primarily relates to foreign exchange, the Company's proportion of loss on equity investee NMG Ohio LLC and interest income on the convertible loan receivable from CCG.

*Net Income (Loss)*

Net loss for the nine month ended April 30, 2019 totaled $2,019,345 compared with a net loss of $1,701,058 for the nine month ended April 30, 2018.

*Comprehensive Income (Loss)*

Net comprehensive loss for the nine month ended April 30, 2019 totaled $1,938,924 compared with a net comprehensive loss of $1,717,994 for the nine month ended April 30, 2018. The Company recorded translation adjustments gain of $80,421 and loss of $16,936 for the nine months ended April 30, 2019 and 2018, respectively.

**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 April 30, 2019:

| | As of April 30, 2019 (unaudited) |
|---|---|
| Cash reserves | $ 2,588,798 |
| Working capital deficit | $ (1,211,081) |

The Company's working capital deficit improved during the nine months ended April 30, 2019 as the Company completed a private placement and expanded the production facility in Nevada.

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.

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.

In addition, the Company will enter 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 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 Canadian Securities Exchange ("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 in the Financing, 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.

Subsequent to April 30, 2019 the Company closed a private placement of 11,780,904 units ("Unit") at a price of $0.93 (CAD$1.25) per unit for aggregate gross proceeds of $10,956,241 (CAD$14,726,130) (the "Offering"). Each Unit is comprised of one common share of the Company (each, a "Share") and one common share purchase warrant of the Company (each, a "Warrant"). Each Warrant entitles the holder thereof to acquire one common share of the Company (each, a "Warrant Share") at an exercise price of CAD$1.50 per Warrant Share for a period of 48 months following the closing date, subject to adjustment in certain events. The Agents received a cash commission on the sale of the Offering to non-U.S. persons of CAD$793,937.50. The Agents also received as additional consideration 635,150 non-transferable broker warrants (each, a "Broker Warrant"). Each Broker Warrant entitles the holder thereof to acquire one Unit of the Company at an exercise price of CAD$1.25 per Unit for a period of 48 months following the closing date. M Partners Inc. also received a corporate finance fee of CAD$84,750.

Subsequent to April 30, 2019 the Company issued 12,793,840 common shares upon exercise of 12,793,840 warrants by Australis at a price of CAD$0.50 per common share for aggregate proceeds of $4,733,721 (CAD$6,396,920). The proceeds were used, in part, to fully repay an outstanding senior secured note (the "Note") in the amount of $4,495,890.41 owing to Australis by the Company. Payment of the Note included the principal amount of $4,000,000 including accrued interest and an early repayment fee. The remaining Warrant Proceeds will be used for working capital purposes.

***Statement of Cash flows***

During the nine month period ended April 30, 2019, our net cash increased by $2,263,961 (2018: increase of $680,356), which included net cash used in operating activities of $827,219 (2018: $1,284,195), net cash used in investing activities of $7,622,243 (2018: $2,938,804), net cash provided by financing activities of $10,633,002 (2018: $4,920,291) and effect of exchange rate changes on cash and cash equivalents of $80,421 (2018: ($16,936)).

***Cash Flow used in Operating Activities***

Cash flow used in operating activities totaled $827,219 and $1,284,195 during the nine months ended April 30, 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 $2,019,345 during the nine months ended April 30, 2019 compared to $1,701,058 in 2018. The net loss in 2019 included non-cash depreciation of $213,727 (2018: $4,556), accrued interest income of $433,380 (2018: $Nil), accrued interest expense of $502,025 (2018 - $119,131), income tax of $414,672 (2018: $Nil), loss of equity investee of $12,196 (2018: $Nil) and stock-based compensation of $881,644 (2018: $733,679).

The following non-cash items further adjusted the loss for the nine months ended April 30, 2019 and 2018:

- Increase in amounts receivable and prepaid of $49,861 (2018: $218,588), increase in inventory of $721,339 (2018: $373,693), increase in trade payables and accrued liabilities of $329,788 (2018: $117,530) and increase in due to related parties of $61,428 (2018: increase of $31,881).

***Cash Flow used in Investing Activities***

During the nine month period ended April 30, 2019, investing activities used cash of $7,622,243 compared to $2,938,804 during the nine month period ended April 30, 2018. The change in cash used in investing activities from the nine month period ended April 30, 2019 relates primarily to acquisition of NMG Ohio LLC of $1,592,049 (2018: $Nil), investment in Green Light District Holdings, Inc. of $5,771,459 (2018: $Nil), additional property and equipment of $250,872 (2018: $494,141) and an advance related to a convertible loan receivable of $7,863 (2018: $Nil).

***Cash Flow provided by Financing Activities***

During the nine month period ended April 30, 2019, financing activities provided cash of $10,633,002 compared to $4,920,291 during the nine month period ended April 30, 2018. During the nine month period ended April 30, 2019, the Company raised net proceeds of $6,605,423 on the issuance of its securities, received net proceeds of $5,202,579 from loans and repaid $1,175,000 (2018 - $Nil) 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.

**Off-balance Sheet Arrangements**

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

**Subsequent events**

The Company closed a private placement of 11,780,904 units (“Unit”) at a price of $0.93 (CAD$1.25) per unit for aggregate gross proceeds of $10,956,241 (CAD$14,726,130) (the “Offering”). Each Unit is comprised of one common share of the Company (each, a "Share") and one common share purchase warrant of the Company (each, a "Warrant"). Each Warrant entitles the holder thereof to acquire one common share of the Company (each, a "Warrant Share") at an exercise price of CAD$1.50 per Warrant Share for a period of 48 months following the closing date, subject to adjustment in certain events. The Agents received a cash commission on the sale of the Offering to non-U.S. persons of CAD$793,937.50. The Agents also received as additional consideration 635,150 non-transferable broker warrants (each, a "Broker Warrant"). Each Broker Warrant entitles the holder thereof to acquire one Unit of the Company at an exercise price of CAD$1.25 per Unit for a period of 48 months following the closing date. M Partners Inc. also received a corporate finance fee of CAD$84,750.

The Company issued 12,793,840 common shares upon exercise of 12,793,840 warrants by Australis at a price of CAD$0.50 per common share for aggregate proceeds of $4,733,721 (CAD$6,396,920). The proceeds were used, in part, to fully repay an outstanding senior secured note (the "Note") in the amount of $4,495,890.41 owing to Australis by the Company. Payment of the Note included the principal amount of $4,000,000 including accrued interest and an early repayment fee. The remaining Warrant Proceeds will be used for working capital purposes.

The Company announced its wholly-owned subsidiary, NMG, entered into a management and administrative services agreement (the "Management Agreement") with Satellites Dip, LLC, ("SD"), a licensed cannabis business conducting commercial cannabis activity within the state of California. The one year Management Agreement commenced on June 6, 2019 and encompasses the following:

a. Management Fee: NMG will be paid a management fee of 30 % of Net Profits or Ten Thousand Dollars ($10,000) per month, whichever is greater.

b. Brand Licensing: NMG shall work to broker commercial arrangements between SD and third-party cannabis brand owners whereby SD licenses commercial cannabis brands from third parties in connection with SD's commercial cannabis activity in exchange for a license fee.

c. Equipment and Capital: NMG shall furnish all equipment and machinery necessary for SD's manufacturing of the Branded Products. Any equipment provided by NMG to SD shall be owned by NMG in its entirety and, subject to SD's approval of the terms, leased to SD pursuant to an Equipment Lease Agreement entered into between NMG and SD, dated June 6, 2019.

d. Loan: The Parties have entered into a certain secured loan agreement dated June 6, 2019 whereby NMG has loaned SD Two Hundred and Fifty Thousand Dollars ($250,000) (the "Loan") to be used solely in connection with SD's commercial cannabis activity. The Loan shall be due and payable on June 6, 2020 (the "Maturity Date") and shall bear interest at a rate of 12% per annum which shall be accrued, compounded quarterly and payable on the Maturity Date. The Loan will be secured by a security interest in and to all of SD's assets.

**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 related to cash and cash equivalents as it does not hold cash in excess of federally insured limits, with major financial institutions. Credit risk associated with the convertible loan receivable arises from the possibility that the principal and/or interest due may become uncollectible. The Company mitigates this risk by managing and monitoring the underlying business relationship.

- 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 $1,211,081 as at April 30, 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 April 30, 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 April 30, 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 April 30, 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 May 17, 2019, the Company entered into an Agency Agreement (the “Agency Agreement”) with M Partners Inc. and PI Financial Corp. (the “Agents”) pursuant to which the Agents are serving as placement agents for the Company, on a commercially reasonable best efforts basis, in connection with the private placement offering of up to 8,000,000 units of the Company (each, a “Unit”) at a price of CAD$1.25 per Unit (the “Offering”). Pursuant to the Agency Agreement, the Company granted the Agents an option to sell up to an additional 8,000,000 Units on the same terms, which option was exercised by the Agents.

Each Unit is comprised of one common share of the Company (each, a “Share”) and one common share purchase warrant of the Company (each, a “Warrant”). Each Warrant entitles the holder thereof to acquire one common share of the Company (each, a “Warrant Share”) at an exercise price of CAD$1.50 per Warrant Share for a period of 48 months following the closing date, subject to adjustment in certain events.

Under the Agency Agreement, the Company agreed to pay the Agents a cash commission equal to 7.5% of the gross proceeds of the Offering (subject to a reduced cash commission of 1.0% for purchasers on the Company’s president’s list (“President’s List Purchasers”) up to a maximum of CAD$4 million of Units purchased by President’s List Purchasers). As additional consideration, the Company agreed to issue the Agents such number of non-transferable broker warrants (each, a “Broker Warrant”) equal to 7.5% of the number of Units sold under the Offering (subject to a reduced number of Broker Warrants of 1.0% for President’s List Purchasers up to a maximum of CAD$4 million of Units purchased by President’s List Purchasers).

On May 17, 2019, the Company entered into subscription agreements (the “Subscription Agreements”) with purchasers (i) in Canada that are “accredited investors” within the meaning of National Instrument 45-106, (ii) in the United States that are “accredited investors” (as such term is defined under Rule 501(a) of Regulation D under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”)), and (iii) outside Canada and the United States on a basis which does not require the qualification or registration of any of the Units. Pursuant to the Subscription Agreements, the Company issued 11,780,904 Units for gross proceeds of CAD$14,726,130. The Company issued 11,780,904 Units to 197 individuals/entities. The proceeds are anticipated to be used towards facility build-outs, expansion related opportunities, paying out interest bearing payables and for general working capital.

The Agents received a cash commission on the sale of the Offering to non-U.S. persons of CAD$793,937.50. The Agents also received as additional consideration 635,150 Broker Warrants. Each Broker Warrant entitles the holder thereof to acquire one Unit of the Company at an exercise price of CAD$1.25 per Unit for a period of 48 months following the closing date. M Partners Inc. also received a corporate finance fee of CAD$84,750 inclusive of applicable taxes.

On May 17, 2019, our directors and executive officers entered into lock up agreements (each, a “Lock-Up Agreement”) with the Agents restricting the ability of such directors and executive officers to sell or otherwise transfer their equity securities in the Company for a period of 120 days without the prior written consent of M Partners Inc.

In connection with the issuance of the Units comprised of the Shares and Warrants, and the issuance of the Broker Warrants as described above, the Company relied on the exemption from registration under the U.S. Securities Act provided by Rule 903 of Regulation S for issuances to non-U.S. persons and on the exemption from registration under the U.S. Securities Act provided by Rule 506(b) of Regulation D for issuances to U.S. persons based on representations and warranties provided by the purchasers in the Subscription Agreements and by the Agents in the Agency Agreement.

**ITEM 3 – DEFAULTS UPON SENIOR SECURITIES**

None

**ITEM 4 – MINE SAFETEY DISCLOSURES**

Not applicable

**ITEM 5 – OTHER INFORMATION**

None

**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: June 19, 2019 | BY: */s/ Leonard Clough*<br>Leonard Clough, President and Chief Executive Officer<br>(Principal Executive Officer) |
| Date: June 19, 2019 | BY: */s/ Darren Tindale*<br>Darren Tindale, Chief Financial Officer<br>(Principal Financial Officer and Principal Accounting Officer) |

**EXHIBIT 31.1**

**CERTIFICATION**

I, Leonard Clough, certify that:

1. I have reviewed this Form 10-Q of Body and Mind Inc.;

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

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

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

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

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

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

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

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

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

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

Date: June 19, 2019

/ s / Leonard Clough
Leonard Clough, President and CEO
(Principal Executive Officer)

**EXHIBIT 31.2**

**CERTIFICATION**

I, Darren Tindale, certify that:

1. I have reviewed this Form 10-Q of Body and Mind Inc.;

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

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

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

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

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

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

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

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

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

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

Date: June 19, 2019

*/ s / Darren Tindale*
Darren Tindale, CFO
(Principal Financial Officer and Principal Accounting Officer)

**EXHIBIT 32.1**

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

In connection with the Quarterly Report on Form 10-Q (the "Report") of Body and Mind Inc. (the "Company") for the quarter ended April 30, 2019, each of Leonard Clough, the Chief Executive Officer, and Darren Tindale, the Chief Financial Officer, of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of the undersigned's knowledge and belief: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 19, 2019

*/ s / Leonard Clough*
Leonard Clough, Principal Executive Officer
(Principal Executive Officer)

*/ s / Darren Tindale*
Darren Tindale, Principal Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement required by Section 906, has been provided to Body and Mind Inc. and will be retained by Body and Mind Inc. and furnished to the Securities and Exchange Commission or its staff upon request.