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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **January 31, 2021**

or

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

For the transition period from ______________ to _______________

Commission File Number: **000-55940**

BODY AND MIND INC.

(Exact name of registrant as specified in its charter)

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

(800) 361-6312
(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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	☒	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 ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: 108,827,778 shares of common stock outstanding as of March 16, 2021.

BODY AND MIND INC.
FORM 10-Q
TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Body and Mind Inc. Statement 1
Condensed Consolidated Interim Balance Sheets
(U.S. Dollars)

ASSETS	As of 31 January 2021	As of 31 July 2020
Current		
Cash	$ 1,166,089	$ 1,352,130
Amounts receivable	1,355,743	972,705
Interest receivable on convertible loan *(Note 6)*	114,000	78,000
Prepaids	622,719	138,016
Inventory *(Note 5)*	2,218,633	1,769,837
Convertible loan receivable *(Note 6)*	1,601,616	1,290,263
Loan receivable *(Note 7)*	239,834	-
Total Current Assets	7,318,634	5,600,951
Investment in NMG Ohio LLC *(Note 16)*	-	3,161,240
Investment in and advances to GLDH *(Note 17)*	-	8,910,854
Property and Equipment *(Note 8)*	7,949,078	6,733,019
Brand and Licenses	20,472,722	11,757,483
Goodwill	5,703,067	2,635,721
TOTAL ASSETS	$ 41,443,501	$ 38,799,268
LIABILITIES		
Current		
Accounts payable	$ 2,168,307	$ 753,846
Accrued liabilities	32,104	30,712
Income taxes	3,490,136	1,609,479
Due to related parties *(Note 9)*	52,948	52,937
Loan payable *(Note 10)*	3,138	-
Lease liabilities *(Note 18)*	441,458	362,688
Total Current Liabilities	6,188,091	2,809,662
Lease Liabilities *(Note 18)*	2,122,562	1,806,212
Loan Payable to NMG Ohio LLC *(Note 16)*	-	466,495
Deferred Tax Liability	618,668	412,450
TOTAL LIABILITIES	8,929,321	5,494,819
STOCKHOLDERS' EQUITY		
Capital Stock– *Statement 3 (Note 11)*		
Authorized: 900,000,000 Common Shares – Par Value $0.0001		
Issued and Outstanding:		
108,377,778 (31 July 2020 – 107,513,812) Common Shares	10,837	10,751
Additional Paid-in Capital	48,471,159	47,665,678
Shares to be Issued	-	19,703
Other Comprehensive Income	1,081,102	731,768
Deficit	(16,853,054)	(14,865,608)
TOTAL STOCKHOLDERS' EQUITY ATTRIBUTABLE TO BAM	32,710,044	33,562,292
NON-CONTROLLING INTEREST	(195,864)	(257,843)
TOTAL EQUITY	32,514,180	33,304,449
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 41,443,501	$ 38,799,268

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

Body and Mind Inc. Statement 2
Condensed Consolidated Interim Statements of Operations
(U.S. Dollars)

	Three Month Period Ended 31 January		Six Month Period Ended 31 January	
	2021	2020	2021	2020
Sales	$ 6,315,411	$ 1,572,284	$ 11,609,769	$ 3,013,910
Cost of sales	(3,567,425)	(1,043,085)	(7,061,729)	(2,164,582)
	2,747,986	529,199	4,548,040	849,328
General and Administrative Expenses				
Accounting and legal	298,937	356,491	466,014	400,684
Bad debt expense	-	46,931	-	46,931
Business development	11,927	-	13,336	-
Consulting fees	106,351	135,953	192,082	356,180
Depreciation	297,370	5,331	542,707	10,206
Insurance	42,339	22,605	115,059	51,330
Lease expense	102,028	54,926	190,631	111,630
Licenses, utilities and office administration	537,928	239,576	1,113,173	544,300
Management fees	88,530	55,683	220,756	185,261
Regulatory, filing and transfer agent fees	30,902	22,598	37,478	39,334
Rent	52,337	8,092	90,688	20,457
Salaries and wages	773,437	453,807	1,556,055	937,858
Stock-based compensation	201,191	369,437	488,822	659,015
Travel	12,155	41,436	23,994	92,337
	(2,555,432)	(1,812,866)	(5,050,795)	(3,455,523)
Net Operating Income (Loss) Before Other Income (Expenses)	192,554	(1,283,667)	(502,755)	(2,606,195)
Other Income (Expenses)				
Foreign exchange, net	191	1,914	230	(81,006)
Interest expense	(592)	(131,850)	(1,327)	(131,850)
Interest income	19,224	278,688	125,367	556,688
Loss on settlement	-	(239,328)	-	(239,328)
Management fee income	-	36,000	-	54,000
Other income (expenses)	(204,383)	-	(115,961)	125,000
Bargain purchase *(Note 14)*	-	-	208,176	-
Write-off of assets	-	(1,008)	-	(1,008)
Equity in earnings *(Note 16)*	-	103,899	24,872	191,550
Net Income (Loss) for the Period Before Income Tax	$ 6,994	$ (1,235,352)	$ (261,398)	$ (2,132,149)
Income tax expense	(1,154,094)	-	(1,664,069)	-
Net Loss for the Period	(1,147,100)	(1,235,352)	(1,925,467)	(2,132,149)
Other Comprehensive Income (Loss)				
Foreign currency translation adjustment	81,237	(103,440)	349,334	15,753
Comprehensive Loss for the Period	$ (1,065,863)	$ (1,338,792)	$ (1,576,133)	$ (2,116,396)
Net income (loss) attributable to:				
Body and Mind Inc.	(1,194,901)	(1,235,352)	(1,987,446)	(2,132,149)
Non-controlling interest	47,801	-	61,979	-
Comprehensive income (loss) attributable to:				
Body and Mind Inc.	(1,113,664)	(1,338,792)	(1,638,112)	(2,116,396)
Non-controlling interest	47,801	-	61,979	-
Earnings (Loss) per Share – Basic and Diluted	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.02)
Weighted Average Number of Shares Outstanding	108,367,050	101,841,511	107,983,554	101,495,573

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

Body and Mind Inc. Statement 3
Condensed Consolidated Interim Statements of Changes in Stockholders' Equity
(U.S. Dollars)

	Share Capital Common Shares Number	Share Capital Common Shares Amount	Additional paid-in capital	Shares to be issued	Other comprehensive income	Deficit	Non-controlling interest	Total
Balance – 31 July 2019	97,279,891	$ 9,728	$ 41,765,408	$ 1,118,815	$ 827,314	$ (10,525,062)	$ -	$ 33,196,203
Acquisition of GLDH *(Note 17)*	4,337,111	434	2,752,348	-	-	-	-	2,752,782
Exercise of warrants *(Note 11)*	143,230	14	75,535	-	-	-	-	75,549
Stock-based compensation *(Note 11)*	-	-	289,578	-	-	-	-	289,578
Share subscriptions received in advance	-	-	-	15,291	-	-	-	15,291
Foreign currency translation adjustment	-	-	-	-	119,193	-	-	119,193
Loss for the period	-	-	-	-	-	(896,797)	-	(896,797)
Balance – 31 October 2019	101,760,232	10,176	44,882,869	1,134,106	946,507	(11,421,859)	-	35,551,799
Exercise of warrants *(Note 11)*	22,485	2	15,289	-	-	-	-	15,291
Escrow release	70,500	7	17,779	(17,786)	-	-	-	-
Stock-based compensation *(Note 11)*	-	-	369,437	-	-	-	-	369,437
Share subscriptions received in advance	-	-	-	(15,291)	-	-	-	(15,291)
Accretion and interest on convertible debt	-	-	-	131,519	-	-	-	131,519
Foreign currency translation adjustment	-	-	-	-	(103,440)	-	-	(103,440)
Loss for the period	-	-	-	-	-	(1,235,352)	-	(1,235,352)
Balance – 31 January 2020	101,853,217	$ 10,185	45,285,374	1,232,548	843,067	(12,657,211)	-	34,713,963
Balance – 31 July 2020	107,513,812	10,751	47,665,678	19,703	731,768	(14,865,608)	(257,843)	33,304,449
Acquisition of NMG Ohio LLC *(Note 16)*	793,466	79	296,963	-	-	-	-	297,042
Stock-based compensation *(Note 11)*	-	-	287,631	-	-	-	-	287,631
Foreign currency translation adjustment	-	-	-	-	268,097	-	-	268,097
Loss for the period	-	-	-	-	-	(792,545)	14,178	(778,367)
Balance – 31 October 2020	108,307,278	$ 10,830	$ 48,250,272	$ 19,703	$ 999,865	$ (15,658,153)	$ (243,665)	$ 33,378,852
Escrow release	70,500	7	19,696	(19,703)	-	-	-	-
Stock-based compensation *(Note 11)*	-	-	201,191	-	-	-	-	201,191
Foreign currency translation adjustment	-	-	-	-	81,237	-	-	81,237
Income for the period	-	-	-	-	-	(1,194,901)	47,801	(1,147,100)
Balance – 31 January 2021	108,377,778	10,837	48,471,159	-	1,081,102	(16,853,054)	(195,864)	32,514,180

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

Body and Mind Inc. Statement 4
Condensed Consolidated Interim Statements of Cash Flows
(U.S. Dollars)

Cash Resources Provided By (Used In)	Six Month Period Ended 31 January 2021	Six Month Period Ended 31 January 2020
Operating Activities		
Net loss for the period	$ (1,925,467)	$ (2,132,149)
Items not affecting cash:		
Accrued interest and accretion	-	131,850
Accrued interest income	(124,143)	(520,000)
Accrued management fee income	-	(54,000)
Amortization of licenses	504,761	-
Amortization of ROU assets	113,500	-
Depreciation	252,627	157,855
Foreign exchange	(112,139)	35,786
Gain of equity investee	(24,872)	(191,550)
Bargain purchase	(208,176)	-
Loss on settlement	-	239,328
Stock-based compensation	488,822	659,015
Amounts receivable and prepaids	(558,579)	(716,996)
Inventory	(91,968)	(131,841)
Trade payables and accrued liabilities	240,002	(37,812)
Income taxes	1,456,726	-
Due to related parties	11	(5,272)
Lease liabilities	(93,943)	-
Deferred tax liability	206,218	-
Loan to NMG Ohio LLC	(228,736)	-
Cash used in operating activities	(105,356)	(2,565,786)
Investing Activities		
Investment in NMG Ohio, LLC , net of cash received	(136,326)	-
Repayment by NMG Ohio, LLC	-	90,969
Investment in GLDH, net of cash received	251,189	(1,285,960)
Other investments	-	(334,348)
Purchase of property and equipment	(224,477)	(802,471)
Convertible loan advanced	(578,674)	(842,085)
Convertible loan received	267,321	-
Cash used in investing activities	(420,967)	(3,173,895)
Financing Activities		
Issuance of shares, net of share issue costs	-	90,840
Loan repaid	(9,052)	-
Cash (used in) provided by financing activities	(9,052)	90,840
Effect of exchange rate changes on cash	349,334	18,204
Net Decrease in Cash	(186,041)	(5,630,637)
Cash– Beginning of Period	1,352,130	9,004,716
Cash– End of Period	$ 1,166,089	$ 3,374,079

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

The accompanying notes are an integral part of these condensed 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 Vocalscape, Inc. and changed its name to Vocalscape, Inc. On October 28, 2005, the Company changed its name to Nevstar Precious Metals Inc. On October 23, 2008, the Company changed its name to Deploy Technologies Inc. ("Deploy Tech") and, on September 15, 2010, the Company incorporated a wholly-owned subsidiary, Deploy Acquisition Corp. ("Deploy") under the laws of the State of Nevada, USA. On September 17, 2010, the Company 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 re-domiciled 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 issued and outstanding common stock.

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, and has retail operations in California, Ohio and Arkansas.

Principles of Consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries as follows:

Name	Jurisdiction	Ownership	Date of acquisition or formation
DEP Nevada Inc. ("DEP Nevada")	Nevada, USA	100%	10 August 2017
Nevada Medical Group LLC ("NMG")	Nevada, USA	100%	14 November 2017
NMG Retail LLC	Nevada, USA	75%	14 September 2018
NMG Long Beach LLC ("NMG LB")	California, USA	100%	18 December 2018
NMG Cathedral City LLC	California, USA	100%	4 January 2019
NMG Chula Vista LLC	California, USA	51%	10 January 2019
NMG San Diego LLC ("NMG SD")	California, USA	60%	30 January 2019
NMG OH 1, LLC ("NMG OH 1")	Ohio, USA	100%	30 January 2020

All inter-company transactions and balances are eliminated upon consolidation.

These consolidated financial statements include the following investments accounted for using the equity method of accounting:

Name	Jurisdiction	Ownership	Date of acquisition or formation
NMG Ohio LLC	Ohio, USA	30%	27 April 2017

2. Recent Accounting Pronouncements

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 2022. The Company does not anticipate this amendment to have a significant impact on the consolidated financial statements.

2. Recent Accounting Pronouncements – *Continued*

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes. ASU 2019-12 removes certain exceptions for investments, intraperiod allocations and interim calculations, and adds guidance to reduce complexity in accounting for income taxes. ASU 2019-12 is effective for annual and interim periods beginning after 15 December 2020. Early adoption is permitted. The Company is currently evaluating the effect of adoption this ASU on the Company's consolidated financial statements.

The Company does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the consolidated financial position, statements of operations and cash flows.

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

These condensed consolidated interim financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP") and are expressed in U.S. dollars. The Company's fiscal year end is 31 July.

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 of 31 January 2021 and 31 July 2020, the Company has no allowance for doubtful accounts.

Revenue recognition

The Company recognizes revenue from product sales when our customers obtain control of our products. This determination is based on the customer specific terms of the arrangement. Upon transfer of control, the Company has no further performance obligations.

Due to the nature of the Company's revenue from contracts with customers, the Company does not have material contract assets or liabilities that fall under the scope of ASC 606.

The Company's revenues accounted for under ASC 606, generally, do not require significant estimates or judgments based on the nature of the Company's revenue streams. The sales prices are generally fixed and all consideration from contracts is included in the transaction price. The Company's contracts do not include multiple performance obligations or material variable consideration.

3. Significant Accounting Policies – *Continued*

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. As of 31 January 2021 and 31 July 2020, the Company has no allowance for inventory obsolescence.

Property and equipment

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

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	shorter of useful life or the term of the lease

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 acquired from NMG have indefinite lives; therefore no amortization is recognized. The Company's brands and licenses acquired by NMG SD have a finite life of 13 years, brands and licenses acquired by NMG LB and NMG OH 1 have a finite life of 10 years and are amortized over these estimated useful lives on a straight-line basis.

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 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 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.

3. Significant Accounting Policies – *Continued*

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 of 31 January 2021 and 31 July 2020, 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.

Foreign currency translation

The Company's functional currency is the Canadian dollar and its reporting currency is in U.S. dollars. The Company's subsidiaries have a functional currency in U.S. dollars. The consolidated financial statements of the Company are translated to U.S. dollars in accordance with ASC 830, "Foreign Currency Matters". Exchange gains and losses on inter-company balances that form part of the net investment in foreign operations are included in other comprehensive income. 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 net loss.

Stock-based compensation

The Company estimates the fair value of each stock option award at the grant date by using the Black-Scholes Option Pricing Model. The fair value determined represents the cost for the award and is recognized over the required service period, generally defined as the vesting period. The Company's accounting policy is to recognize forfeitures as they occur.

Fair value measurements

The Company accounts for certain assets and liabilities at fair value. The hierarchy below lists three levels of fair value based on the extent to which inputs used in measuring fair value are observable in the market. We categorize each of our fair value measurements in one of these three levels based on the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- Level 1 – inputs are based upon unadjusted quoted prices for identical instruments in active markets.

- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques (e.g. the Black-Scholes model) for which all significant inputs are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, foreign exchange rates, and forward and spot prices for currencies.

- Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques, including option pricing models and discounted cash flow models. Our Level 3 assets and liabilities include investments in other private entities, and goodwill and intangible assets, when they are recorded at fair value due to an impairment charge. Unobservable inputs used in the models are significant to the fair values of the assets and liabilities.

The Company measures equity investments without readily determinable fair values on a nonrecurring basis. The fair values of these investments are determined based on valuation techniques using the best information available, and may include quoted market prices, market comparables, and discounted cash flow projections.

3. Significant Accounting Policies – *Continued*

Fair value measurements – *Continued*

Other current financial assets and current financial liabilities have fair values that approximate their carrying values.

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.

Lease accounting

The Company adopted ASC 842, leases effective 1 August 2019 using a modified retrospective approach. Under ASC 842, leases are separated into two classifications: operating leases and financial leases. Lease classification under ASC 842 is relatively similar to ASC 840. For a lease to be classified as a finance lease, it must meet one of the five finance lease criteria: (1) transference of title/ownership to the lessee, (2) purchase option, (3) lease term for major part of the remaining economic life of the asset, (4) present value represents substantially all of the fair value of the asset, and (5) asset specialization. Any lease that does not meet these criteria is classified as an operating lease. ASC 842 requires all leases to be recognized on the Company's balance sheet. Specifically, for operating leases, the Company recognize a right-of-use asset and a corresponding lease liability upon lease commitment.

4. Financial Instruments

The following table represents the Company's assets that are measured at fair value as of 31 January 2021 and 31 July 2020:

	As of 31 January 2021	As of 31 July 2020
Financial assets at fair value		
Cash	$ 1,166,089	$ 1,352,130
Convertible loan receivable	1,601,616	1,290,263
Loan receivable	239,834	-
Total financial assets at fair value	$ 3,007,539	$ 2,642,393

Management of financial risks

The financial risk arising from the Company's operations include 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 loans 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.

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 ensures, as far as reasonably possible, that it will have sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company has an accumulated deficit of $16,853,054, recurring losses of $1,925,467 and negative cash flows from operations of $105,356 for the six months ended 31 January 2021, and had working capital of $1,130,543 at 31 January 2021. There can be no assurance that the Company will be successful with generating and maintaining profitable operations or will be able to secure future debt or equity financing for its working capital and expansion activities.

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.

5. Inventory

	31 January 2021	31 July 2020
Work in progress	$ 233,609	$ 211,621
Finished goods	1,437,408	959,939
Consumables	547,616	598,277
Total	$ 2,218,633	$ 1,769,837

6. Convertible loan receivable

Effective March 15, 2019, the Company, through its wholly owned subsidiaries, DEP Nevada and NMG, entered into a convertible loan agreement and a management agreement with Comprehensive Care Group LLC ("CCG"), an Arkansas limited liability company, with respect to the development of a medical 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 required to obtain approval from CCG for any key decisions as defined in the agreement and accordingly the Company does not control CCG. 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. The Company earned management fees of $Nil (2020 - $36,000) and $Nil (2020 - $54,000) during the three and six months ended 31 January 2021, respectively.

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. Upon the latter of one year of granting of a medical cannabis dispensary license by the appropriate authorities or one year after entering into the convertible loan agreement, DEP may elect to convert the loan into preferred units of CCG equal to 40% of all outstanding units of CCG, subject to approval of the Arkansas Medical Marijuana Commission.

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 of the financial instruments. 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 balance of $1,601,616 and $1,290,263 as of 31 January 2021 and 31 July 2020, respectively. Management believes that the accretion of the straight debt portion and embedded derivative related to the conversion option are not material due to the short term maturity of the loan. During the six months ended 31 January 2021, the Company had advanced $578,674 (2020 - $842,085) and accrued interest income of $18,000 (2020 - $18,000) and $36,000 (2020 - $36,000) for the three and six months ended 31 January 2021, respectively. As of 31 January 2021, total interest receivable was $114,000 (31 July 2020 - $78,000).

7. Loan receivable

The loan receivable at 31 January 2021 in the amount of $239,834 acquired from NMG LB (Note 14) is due from an arm's length party that is unsecured, non-interest bearing and due on demand.

8. Property and Equipment

	Office Equipment	Cultivation Equipment	Production Equipment	Kitchen Equipment	Vehicles	Vault Equipment	Leasehold Improvements	Right-of-use Assets	Total
Cost:									
Balance, 31 July 2020	$ 73,310	$ 478,187	$ 545,723	$ 51,108	$ 38,717	$ 2,172	$ 4,245,389	$ 2,257,055	$ 7,691,661
Additions or disposals	15,184	(12,077)	19,920	-	-	8,163	193,287	-	224,477
Acquisitions (Note 14)	287,015	-	-	-	-	-	581,631	489,063	1,357,709
Balance, 31 January 2021	375,509	466,110	565,643	51,108	38,717	10,335	5,020,307	2,746,118	9,273,847
Accumulated Depreciation:									
Balance, 31 July 2020	15,844	182,232	130,421	14,421	18,797	897	472,790	123,240	958,642
Depreciation	16,160	34,437	39,583	3,680	2,788	450	155,529	-	252,627
Amortization of ROU assets (Note 18)	-	-	-	-	-	-	-	113,500	113,500
Balance, 31 January 2021	32,004	216,669	170,004	18,101	21,585	1,347	628,319	236,740	1,324,769
Net Book Value:									
At 31 July 2020	**57,466**	**295,955**	**415,302**	**36,687**	**19,920**	**1,275**	**3,772,599**	**2,133,815**	**6,733,019**
At 31 January 2021	**$ 343,505**	**$ 249,441**	**$ 395,639**	**$ 33,007**	**$ 17,132**	**$ 8,988**	**$ 4,391,988**	**$2,509,378**	**$7,949,078**

For the six months ended 31 January 2021, a total depreciation of $37,946 (2020 - $10,205) was included in General and Administrative Expenses and a total depreciation of $214,681 (2020 - $147,650) was included in Cost of Sales.

9. Related Party Balances and Transactions

In addition to those disclosed elsewhere in these consolidated financial statements, related party transactions paid/accrued for the three and six months ended 31 January 2021 and 2020 are as follows:

	For the three months ended 31 January 2021	For the three months ended 31 January 2020	For the six months ended 31 January 2021	For the six months ended 31 January 2020
A company controlled by the President, Chief Executive Officer and a director Management fees	$ 37,440	$ 37,511	$ 74,965	$ 79,378
A company controlled by the Chief Financial Officer and a director Management fees	23,316	25,232	46,002	47,900
A company controlled by a former director and former President of NMG Management fees	10,000	8,333	65,000	16,666
A company controlled by the Corporate Secretary Management fees	17,774	25,322	34,789	30,989
Consulting fees	-	1,552	-	3,103
A company controlled by the former Chief Executive Officer and a former director Management fees	-	-	-	9,401
	$ 88,530	$ 97,950	$ 220,756	$ 187,437

Amounts owing to related parties at 31 January 2021 and 31 July 2020 are as follows:

a) As of 31 January 2021, the Company owed $30,431 (31 July 2020 - $14,229) to the Chief Executive Officer of the Company and a company controlled by him.

b) As of 31 January 2021, the Company owed $16,376 (31 July 2020 - $7,833) to the Chief Financial Officer of the Company and a company controlled by him.

c) As of 31 October 2020, the Company owed $6,141 (31 July 2020 - $5,875) to the Corporate Secretary of the Company and a company controlled by him.

d) As of 31 October 2020, the Company owed $Nil (31 July 2020 - $25,000) to the former director and former President of NMG of the Company and a company controlled by him.

e) The Company entered into a commercial advisory agreement with Australis Capital (Nevada) Inc. ("Australis Nevada"), a wholly-owned subsidiary of Australis, a major shareholder, pursuant to which Australis Nevada will provide advisory and consulting services to the Company at $10,000 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. During the three and six months ended 31 January 2021, the Company paid an advisory fee of $36,000 (2020 - $36,000) and $72,000 (2020 - $72,000), respectively.

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

10. Loan Payable

The loan payable at 31 January 2021 in the amount of $3,138 assumed from NMG LB (Note 14) is unsecured, non-interest bearing and has no set terms of repayment.

11. Capital Stock

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

As at 31 January 2021, the Company had 108,377,778 outstanding Common Shares (July 31, 2020 – 107,513,812).

On 12 August 2019, the Company issued a total of 4,337,111 common shares of the Company in connection with the Purchase Agreement, NMG SD Settlement Agreement and the Lease Assignment Agreement valued at $2,752,782 (Notes 13 and 17).

On 12 August 2019, the Company issued 81,591 common shares upon exercise of 81,591 warrants at a price of CAD$0.66 per common share for aggregate proceeds of $40,688 (CAD$53,850).

On 12 September 2019, the Company issued 38,912 common shares upon exercise of 38,912 warrants at a price of CAD$0.66 per common share for aggregate proceeds of $19,405 (CAD$25,682).

On 4 October 2019, the Company issued 22,727 common shares upon exercise of 22,727 warrants at a price of CAD$0.90 per common share for aggregate proceeds of $15,455 (CAD$20,454).

On 14 November 2019, the Company issued 22,485 common shares upon exercise of 22,485 warrants at a price of CAD$0.90 per common share for aggregate proceeds of $15,291 (CAD$20,236).

On 14 November 2019, the Company issued 70,500 previously escrowed shares with a fair value of $17,786 to Toro Pacific Management Inc. in connection with the acquisition of NMG (Note 13).

On 21 October 2020, the Company issued 793,466 common shares valued at $297,042 in relation to acquiring the remaining 70% interest in NMG Ohio (Notes 13 and 16).

On 14 November 2020, the Company issued 70,500 previously escrowed shares with a fair value of $19,703 to Toro Pacific Management Inc. in connection with the acquisition of NMG (Note 13).

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.

The Company recorded total stock-based compensation expense of $201,191 (2020 - $369,437) and $488,822 (2020 - $659,015) for the three and six months ended 31 January 2021, respectively, in connection with the issuance of options to purchase common stock. Stock-based compensation expense is included in general and administrative expenses on the accompanying statements of operations.

Table of Contents

11. Capital Stock – *Continued*

Stock options - *continued*

	Number of options		Weighted average exercise price	Weighted average contractual term remaining (in years)		Aggregate intrinsic value
Outstanding at 31 July 2020	9,155,000	CAD$	0.70	3.48	CAD$	-
Outstanding at 31 January 2021	9,155,000	CAD$	0.70	2.98	CAD$	1,397,100
Vested and fully exercisable at 31 January 2021	6,586,250	CAD$	0.68	2.62	CAD$	1,140,225

Share Purchase Warrants

As of 31 January 2021 and 31 July 2020, the following warrants are outstanding:

Number of warrants outstanding and exercisable		Exercise price	Expiry dates
11,780,134	CAD$	1.50	17 May 2023
635,150	CAD$	1.25	16 May 2023
12,415,284			

12. Segmented Information and Major Customers

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. During the three and six months ended 31 January 2021, the Company had no major customer over 10% of its revenues (2020 – the Company relied on one major customer for 10% of its revenues and the total amount due from this major customer was $123,667 as at 31 January 2020).

13. Supplemental Disclosures with Respect to Cash Flows

	Three Months Ended 31 January		Six Months Ended 31 January	
	2021	**2020**	**2021**	**2020**
Cash paid during the period for interest	$ -	$ -	$ -	$ -
Cash paid during the period for income taxes	$ -	$ -	$ 1,125	$ -

On 12 August 2019, the Company issued a total of 4,337,111 common shares of the Company in connection with the Purchase Agreement, NMG SD Settlement Agreement and the Lease Assignment Agreement valued at $2,752,782 (Notes 11 and 17).

On 14 November 2019, the Company issued 70,500 previously escrowed shares with a fair value of $17,786 to Toro Pacific Management Inc. in connection with the acquisition of NMG (Note 11).

On 21 October 2020, the Company issued 793,466 common shares valued at $297,042 in relation to acquiring the remaining 70% interest in NMG OH 1 (Notes 11 and 16).

On the assumption of the lease in Elyria, Ohio, the Company recognized right-of-use assets (Notes 8 and 18), and a corresponding increase in lease liabilities, in the amount of $234,734 which represented the present value of future lease payments using a discount rate of 12% per annum.

On the assumption of the lease in Long Beach, California, the Company recognized right-of-use assets (Notes 8 and 18), and a corresponding increase in lease liabilities, in the amount of $254,329 which represented the present value of future lease payments using a discount rate of 12% per annum.

On 14 November 2020, the Company issued 70,500 previously escrowed shares with a fair value of $19,703 to Toro Pacific Management Inc. in connection with the acquisition of NMG (Note 11).

14. Business Acquisition

The Clubhouse dispensary

On 4 September 2020, NMG OH 1 received all approvals and final license and name transfer from the Ohio Department of Pharmacy for Clubhouse dispensary located in Elyria, Ohio.

Purchase consideration (Note 16)	**$ 3,873,170**
Assets acquired:	
Cash	257,462
Amounts receivable	510,367
Prepaid expenses	4,965
Inventory	178,898
Property and equipment	863,244
Licenses and customer relationships	2,710,000
Liabilities assumed:	
Trade payable and accrued liabilities	(443,590)
Net assets acquired	4,081,346
Bargain purchase	(208,176)
TOTAL	**$ 3,873,170**

ShowGrow Long Beach dispensary

On 28 August 2020, NMG LB received all approvals and final license transfer for the ShowGrow Long Beach dispensary.

Purchase consideration (Note 17)	**$ 8,912,733**
Assets acquired:	
Cash	65,340
Prepaid expenses	15,264
Inventory	177,930
Loan receivable (Note 7)	239,834
Property and equipment	5,402
Liabilities assumed:	
Trade payable and accrued liabilities	(732,262)
Income taxes payable	(423,931)
Loans payable (Note 10)	(12,190)
Net liabilities acquired	(664,613)
Brand and licenses	6,510,000
Goodwill	3,067,346
TOTAL	**$ 8,912,733**

15. Commitments

a) In connection with the strategic investment agreement with Australis dated 30 October 2018 (the "Investment Agreement"), the Company agreed to pay a monthly service fee of $10,000 to Australis. In connection with the Company's investment in GLDH and the promissory note provided by Australis, the Company agreed to increase the monthly services fee to Australis to $16,500 per month for 5 years unless ownership held by Australis drops below 10% in which the fee will cease. Following the repayment of the promissory note, the monthly service fee to Australis was reduced to $12,000 commencing June 2019.

b) On 25 October 2017, NMG Ohio entered into a five-year lease agreement for the property located at 709 Sugar Lane, Elyria, Ohio, containing approximately 4,100 square feet. The monthly rent is $4,000. The Body and Mind branded dispensary in Ohio is owned through a 100% owned subsidiary of the Company.

c) On 13 June 2019, the five-year lease agreement dated 1 December 2018 for the property located at 7625 Carroll Road, San Diego, California, containing approximately 4,600 square feet was assigned to NMG San Diego. Under the terms of the assignment and first amendment to the original lease agreement dated 13 June 2019, the Company has three options to extend the lease and each option is for five years. The monthly base rent is currently $15,000. The guaranteed monthly rent is subject to a 1-6% increase on each anniversary date of the lease, based on increases in the Consumer Price Index for San Diego County.

d) On 8 March 2019, the five-year lease agreement dated 10 January 2017, as amended on 7 September 2018, for the property located at 3411 E. Anaheim St., Long Beach, California, containing approximately 1,856 square feet was assigned to NMG Long Beach. Under the terms of the amended lease agreement, the Company has one option to extend the lease for five years. The monthly base rent is $6,636 plus common area expenses, totaling $8,000 every month. The guaranteed minimum monthly rent is subject to a 5% increase on each anniversary date of the lease. The ShowGrow dispensary in Long Beach is managed by the Company.

16. Investment in NMG Ohio LLC

On 7 June 2018, the Company acquired a 30% interest in NMG Ohio, which has a cannabis dispensary and a provisional production license. 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 of 31 July 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 year ended 31 July 2019, the Company made cash payments of $1,181,250.

The remaining cash payments totaling $393,750 and the remaining issuance of 793,466 common shares were paid and issued upon transferring the dispensary license for and the assets and liabilities associated with The Clubhouse Dispensary into the Company's wholly-owned subsidiary, NMG OH 1 (Notes 11 and 14).

The provisional production license remains in NMG Ohio and the Company anticipate closing the acquisition of the remaining 70% interest in NMG Ohio upon receipt of production license.

16. Investment in NMG Ohio LLC – *Continued*

Following the completion of license transfer of the Ohio dispensary on 4 September 2020 to the Company's wholly-owned subsidiary, NMG OH 1, the Company began consolidating the assets, liabilities, revenues and expenses related to the dispensary. The Company still accounts for its 30% ownership interest in NMG Ohio as an investment using the equity method of accounting. During the period from 1 August 2020 to 4 September 2020, NMG Ohio recorded net revenues of $534,971, expenses of $452,065 and a net income of $82,906. The Company recorded an equity in earnings of $24,872 relating to its 30% pro rata share of net income which was included in other items on the statement of operations. During the period from 5 September 2020 to 31 January 2021, NMG Ohio did not have any operating activities.

	31 January 2021	31 July 2020
Equity investment in NMG Ohio		
Opening balance	$ 531,185	$ 134,066
Equity pickup	24,872	397,119
Total equity investment in NMG Ohio	556,057	531,185
Acquisition of remaining 70% interest:		
Opening balance	2,630,055	2,630,055
Acquisition costs: Common shares issued to vendors at fair value	297,042	-
Acquisition costs: Cash payments to vendors	393,750	-
Foreign exchange	(3,734)	-
Total advances for remaining 70% acquisition of NMG Ohio	3,317,113	2,630,055
	3,873,170	3,161,240
Acquisition of The Clubhouse Dispensary (Note 14)	(3,873,170)	-
Total investment in NMG Ohio	$ -	$ 3,161,240
Loan receivable (payable) to NMG Ohio		
Opening balance	$ (466,495)	$ 701,781
Advances provided to NMG Ohio	228,736	112,869
Advances received from NMG Ohio	-	(1,252,429)
Foreign exchange	16,325	(28,716)
Transferred to NMG OH 1 and eliminated on consolidation	221,434	-
Loan payable to NMG Ohio	$ -	$ (466,495)

Summarized financial information for NMG Ohio is as follows:

	4 September 2020	31 October 2020
Current assets	$ 1,180,828	$ -
Non-current assets	962,537	-
Total assets	2,143,365	-
Current liabilities	439,340	-
Non-current liabilities	-	-
Total liabilities	439,340	-
Revenues	534,971	-
Gross profit	231,776	-
Net income	82,906	-
Net income attributable to the Company	$ 24,872	$ -

17. Investment in and advances to GLDH

Interim Agreement – 28 November 2018

On 28 November 2018, the Company entered into a binding interim agreement (the "Interim On 28 November 2018, the Company entered into a binding interim agreement (the "Interim Agreement") with GLDH, a private company incorporated under the laws of Delaware, and David Barakett ("Barakett") whereby the Company agreed to acquire 100% of the issued and outstanding common shares of GLDH in connection with the issuance of convertible notes (the "Transaction"). GLDH holds a number of assets relating to the production and sale of cannabis products in the United States of America. The Transaction will be contingent upon the Company completing its due diligence.

The terms of the Interim Agreement include the following:

The Company shall issue to Barakett common shares of the Company (the "Earn Out Shares") based on the CSE listed 5-day VWAP of the common shares of the Company and at the USD/CAD exchange rate at the close of market on 27 November 2018. The common shares of the Company had a 5-day VWAP of CAD$0.7439 at a USD/CAD exchange rate of 1.3296 and as a result the Company agreed to issue up to a maximum of 11,255,899 common shares with a maximum consideration of US$6,297,580 or CAD$8,373,263. Barakett will be eligible to receive Earn Out Shares for a period of 12 months on the following basis:

1. upon GLDH obtaining all of (i) the Long Beach Recreational License; (ii) the San Diego Medical License; (iii) the San Diego Recreational License; and (iv) the San Diego State License ("Milestone I"), the issuance of Earn Out Shares to Barakett totalling 5,627,950 shares (50% of the total Earn Out Shares);
2. upon GLDH achieving total attributable revenues of at least US$3,300,000 over a period of three consecutive months from each of the Long Beach dispensary, the San Diego dispensary and Las Vegas ShowGrow ("Milestone II"), the issuance of Earn Out Shares to Barakeet totalling 4,502,360 (40% of the total Earn Out Shares); and
3. prior to the completion of Milestone I and Milestone II, and upon completion of a certain audit of GLDH showing no taxes outstanding or any unknown material liabilities for GLDH, the issuance of Earn Out Shares to Barakett totalling 1,125,589 shares (10% of the total Earn Out Shares).

Additionally, the Company made an investment into GLDH by way of a US$5,200,000 senior secured convertible note (the "Note") bearing interest at a rate of 20% per annum to be repaid to the Company on 28 November 2020 unless converted by the Company in accordance with the agreement. The Note is secured by a general security agreement and a UCC-1 financing statement in all U.S. states where GLDH has assets. Barakett provided a personal guarantee to the Company for the Note. The Company is in the process of finalizing the Purchase Agreement (see below) and applying the Note to the purchase price.

In order for the Company to fund the Note:

1. the Company entered into a loan agreement with Australis, whereby Australis provided the Company a two-year US$4,000,000 loan; and
2. Australis exercised 3,206,160 warrants at a price of CAD$0.50 per common share for aggregate proceeds of approximately US$1,200,000 converted using an exchange rate of 0.7518.

17. Investment in and advances to GLDH – *Continued*

Definitive Agreement (Superseding Interim Agreement)

On 3 July 2019, the Company entered into the following agreements with GLDH and other third parties:

1. a definitive asset purchase agreement (the “Purchase Agreement”) between the Company’s wholly owned subsidiary, NMG Long Beach, LLC (“NMG LB”), GLDH and Airport Collective, Inc. to acquire 100% ownership interest in GLDH’s Long Beach, California dispensary;
2. a settlement agreement (“NMG SD Settlement Agreement”) between the Company and its subsidiaries, and GLDH and its subsidiaries, to acquire a 60% ownership interest in GLDH’s San Diego, California dispensary; and
3. a lease assignment (the “Lease Assignment Agreement”) on the San Diego operation between the Company’s 60%-owned subsidiary, NMG San Diego, LLC (“NMG SD”), Green Road, LLC, Show Grow San Diego, LLC (“SGSD”), and SJJR LLC.

The Purchase Agreement, NMG SD Settlement Agreement and Lease Assignment agreement supersede the Interim Agreement and are subject to certain closing conditions including receipt of applicable licences.

1. The Purchase Agreement was executed under the following terms:

The purchase price is USD$6,700,000 (the “Purchase Price”). The consideration under the Purchase Agreement includes the following on closing:

i. The USD$5,200,000 Note is to be applied towards the Purchase Price; and

ii. USD$1,500,000 to be paid in common shares of the Company at a price of CAD$0.7439 per common share to a maximum of 2,681,006 common shares (the “Share Payment”) (issued) upon NMG LB receiving the transfer of all licenses, permits and BCC authorizations for NMG LB to conduct medical and adult-use commercial cannabis retail operations. The Share Payment is subject to reduction equal to the net liability of GLDH and Airport Collective.

2. The NMG SD Settlement Agreement’s consideration includes the following on closing:

i. USD$500,000 to be paid in common shares (624,380 common shares issued) to SGSD at a share price equal to the maximum allowable discount pursuant to Canadian Securities Exchange policies, upon execution of the settlement agreement;

ii. USD$750,000 to be paid in common shares (issued) to Barakett at a price of CAD$0.7439 per common share to a maximum of 1,340,502 Common Shares (the “DB Share Payment”) upon NMG SD receiving all licenses, permits and authorizations for NMG SD to conduct medical commercial cannabis retail operations; and

iii. USD$750,000 to be paid in common shares (issued) to Barakett at a price of CAD$0.7439 per common share to a maximum of 1,340,502 common shares (the “DB Additional Shares Payment”) upon NMG SD receiving all licenses, permits and authorizations for NMG SD to conduct adult-use commercial cannabis retail operations.

17. Investment in and advances to GLDH – *Continued*

Definitive Agreement (Superseding Interim Agreement) – *Continued*

3. The Lease Assignment Agreement was executed under the following terms:

The Company is required to issue cash and share payments to the landlord as follows:

i. USD$700,000, payable in common shares (1,031,725 common shares issued) at a share price equal to the maximum allowable discount pursuant to Canadian Securities Exchange policies, upon execution of the assignment agreement;

ii. USD$783,765, payable in cash (paid), within 5 business days following execution of the assignment agreement (paid); and

iii. USD$750,000, payable in cash (paid), including interest at 5% per annum, upon receipt of the San Diego Conditional Use Permit allowing adult-use commercial cannabis retail operations.

Additionally:

1. The Company is to provide a loan to GLDH in the amount of USD$200,000 at an interest rate of 12% per annum, accrued and compounded quarterly and due within 3 years (provided);

2. The Company is to enter into a consulting agreement with Barakett through NMG LB to provide certain consulting and advisory services to NMG LB, agreeing to pay Barakett a total of USD$200,000 ($50,000 paid in fiscal 2019 and additional $150,000 paid during the year ended 31 July 2020);

3. The Company will forgive approximately USD$800,000 for prior operating loans advanced by the Company to GLDH; and;

4. The Company licenses certain intellectual property from Green Light District Management, LLC and GLDH (collectively referred to as "Licensor"). The Licensor grants the Company a perpetual license to utilize its operational intellectual property consisting of customer data, sales data, customer outreach strategies standard operating procedures, and other proprietary operational intellectual property. Licensor grants the Company a license for 2 years to utilize intellectual property such as trademarks and branding (the "Branding IP"). As consideration for the licenses, the Company has agreed to utilize the Branding IP until 19 June 2021 at the Company's premises and at the San Diego retail locations for a period of 2 years from operations commencing at that location. Additionally, the Company agreed to pay the Licensor 3% of gross receipts from sales at the Long Beach dispensary.

17. Investment in and advances to GLDH – *Continued*

Definitive Agreement (Superseding Interim Agreement) – *Continued*

The total investment in GLDH at 31 January 2021 and 31 July 2020 is as follows:

	31 January 2021	31 July 2020
Opening balance	$ 8,910,854	$ 7,373,036
Note receivable	-	-
Share issuances	-	4,092,175
Share payment reduction	-	(793,416)
Interest income accrued on the Note	88,143	1,040,000
Advances for working capital	3,030	2,143,609
Lease Assignment Agreement payment	-	750,000
Amount transferred to Property and Equipment	-	(1,431,585)
Amount transferred to Brand and Licenses	-	(3,585,483)
Expensed during the period	(188,879)	(501,862)
Foreign exchange	99,585	(175,620)
	8,912,733	8,910,854
Acquisition of ShowGrow Long Beach dispensary (Note 14)	(8,912,733)	-
Ending balance	$ -	$ 8,910,854

In April 2020, the Company fulfilled all obligations under the NMG SD Settlement Agreement and the Lease Assignment Agreement and completed the acquisition of a 60% owned dispensary located in San Diego (the "SD Transaction"). The SD Transaction was accounted for as an asset acquisition. The Company acquired the rights to an existing lease that was zoned for use as a cannabis dispensary.

The Company owns the dispensary through a 60% owned subsidiary, NMG SD. The Company consolidated 100% of the assets, liabilities and the operations of NMG SD with 40% disclosed as a non-controlling interest.

18. Lease Liabilities

a) On 10 November 2017, NMG entered into a revised five-year lease agreement for the property located at 3375 Pepper Lane, Las Vegas, NV, containing approximately 18,000 square feet. The Company has four options to extend the lease and each option is for five years. The monthly rent was $12,500 plus common area expenses, which increased to $12,875 plus common area expenses on 1 January 2019 and again increased to $13,132 plus common area expenses on 1 December 2019. The guaranteed minimum monthly rent is subject to a 2% increase on each anniversary date of the lease.

b) On 9 April 2019, NMG entered into a three-year lease agreement for the property located at 6420 Sunset Corporate Drive, Las Vegas, NV, containing approximately 7,700 square feet. The Company has one option to extend the lease for an additional three-year term and an option to purchase the property at any point during the initial term. The monthly rent is $6,026 plus $1,129 in common area expenses, totaling $7,156 every month.

18. Lease Liabilities – *Continued*

c) On 24 April 2020, the Company assumed a five-year lease dated 1 December 2018, as amended on 13 June 2019, for the property located at 7625 Carroll Road, San Diego, CA. The Company has three options to extend the lease and each option is for five years. The monthly rent is $15,914 per month increasing by 3% every year until 1 December 2022. The lease contains a sale bonus provision of $1,000,000 or 10% of the purchase price of the entire business, whichever is greater, in the event of sale or assignment of the lease.

d) On 28 August 2020, the Company assumed a five-year lease dated 10 January 2017, as amended on 7 September 2018, for the property located at 3411 E. Anaheim St., Long Beach, California. The Company has one option to extend the lease for five years. The rent is $4,215 per month increasing by 3% every year until 10 January 2022.

e) On 4 September 2020, the Company assumed a five-year lease dated 25 October 2017 for the property located at 709 Sugar Lane, Elyria, Ohio. The Company has three options to extend the lease and each option is for three years. The rent is $4,000 per month increasing by 5% starting on 1 July 2021 and 1 July 2024.

On the assumption of the lease in Long Beach, California, the Company recognized right-of-use assets (Notes 8 and 14), and a corresponding increase in lease liabilities, in the amount of $254,329 which represented the present value of future lease payments using a discount rate of 12% per annum.

On the assumption of the lease in Elyria, Ohio, the Company recognized right-of-use assets (Notes 8 and 14), and a corresponding increase in lease liabilities, in the amount of $234,734 which represented the present value of future lease payments using a discount rate of 12% per annum.

During the three and six months ended 31 January 2021, the Company recorded a total lease expense of $102,028 (2020 - $54,926) and $190,631 (2020 - $111,630), respectively, related to the accretion of lease liabilities and the amortization of right-of-use assets.

Lease expense of $36,461 (2020 - $Nil) and $72,921 (2020 - $Nil) was allocated to cost of sales for the three and six months ended 31 January 2021, respectively.

Supplemental cash flow information related to leases was as follows:

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	243,995
Right-of-use assets obtaining in exchange for lease obligations:		
Operating leases	$	489,063
Weighted-average remaining lease term – operating leases		6.82 years
Weighted-average discount rate – operating leases		12%

The discount rate of 12% was determined by the Company as the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

18. Lease Liabilities – *Continued*

Maturities of lease liabilities were as follows:

Year Ending 31 July		**Operating Leases**
2021 (six months)	$	261,153
2022		544,678
2023		557,696
2024		566,756
2025 and thereafter		1,878,401
Total lease payments	$	3,808,684
Less imputed interest		(1,244,664)
Total	$	2,564,020
Less current portion		(441,458)
Long term portion		2,122,562

19. Subsequent Event

On 6 March 2021, the Company granted 1,250,000 to current directors and officers of the Company with an exercise price of CAD$0.68 per share for a term of five (5) years expiring on 6 March 2026. The options are subject to vesting provisions such that 25% of the Options vest six (6) months from the date of grant, 25% of the Options vest twelve (12) months from the date of grant, 25% of the Options vest eighteen (18) months from the date of grant and 25% of the Options vest twenty-four (24) months from the date of grant.

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

The following management's discussion and analysis of the Company's financial condition and results of operations (the "MD&A") 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 Annual Report on Form 10-K for the fiscal year ended July 31, 2020, including the consolidated financial statements and related notes contained therein. These factors, or any one of them, may cause our actual results or actions in the future to differ materially from any forward-looking statement made in this document. Refer to "Forward-looking Statements" as disclosed in our Annual Report on Form 10-K for the fiscal year ended July 31, 2020.

Introduction

This MD&A is focused on material changes in our financial condition from July 31, 2020, our most recently completed year end, to January 31, 2021, and our results of operations for the three and six months ended January 31, 2021, and should be read in conjunction with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations as contained in our Annual Report on Form 10-K for the fiscal year ended July 31, 2020.

Company Overview

Body and Mind is a multi-state cannabis operator, which has retail, distribution, cultivation, and/or processing operations in Nevada, California, Arkansas and Ohio.

Our platform approach to expansion focuses on limited license states and jurisdictions, entering new markets through lower cost license applications and opportunistic/targeted acquisitions.

We have developed the marquis lifestyle "Body and Mind" brand in Nevada with strong penetration into dispensaries and have recently expanded our brand and products to dispensaries in California. The Body and Mind brand appeals to a wide range of cannabis consumers with products including flower, oils, extracts (wax, live resin, ambrosia) and edibles.

We have a long track record of producing award-winning cannabis products and we have success with licensing to manufacture for brands. We completed construction and commenced production operations at the new Nevada production facility in early Q3 2020.

We are a Nevada corporation that, through our wholly-owned subsidiary, Nevada Medical Group, LLC ("**NMG**"), are engaged in the cultivation and production of medical and adult-use recreational marijuana products. NMG produces cannabis flower, oil extracts and edibles under license in the state of Nevada, which are available for sale under the brand name "Body and Mind" in dispensaries in Nevada.

In California, we, through our wholly-owned subsidiary NMG Cathedral City, LLC (“**NMGCC**”), were managing a licensed cannabis business conducting commercial cannabis activity in Cathedral City, California pursuant to a management agreement with Satellites Dip, LLC (“**SD**”) who is the actual licensed manufacturer. On November 30, 2019, we along with NMGCC entered into a settlement agreement with SD with respect to the management agreement and NMGCC entered into a brand director agreement with SD whereby NMGCC provides certain advisory and brand director services in connection with SD’s manufacture of Company-branded products, as well as certain other products as agreed to by NMGCC. In addition, as part of the revised arrangement with SD, our wholly-owned subsidiary, DEP Nevada Inc. (“**DEP**”) entered into a brand license agreement with SD whereby DEP has granted SD a non-exclusive, non-transferable, and non-sub-licensable right to use certain licensed marks in connection with or on licensed products. Our products are sold and distributed to numerous licensed dispensaries throughout California. In late April 2020, we closed the San Diego ShowGrow dispensary transaction, which is owned 60% by our wholly-owned subsidiary, NMG San Diego, LLC (“**NMG SD**”), has received all licenses, permits and authorizations required to conduct medical and adult-use commercial cannabis retail operations, and which opened in early July 2020. We, through our wholly-owned subsidiary, NMG Long Beach, LLC (“**NMG LB**”), have been managing the ShowGrow Long Beach dispensary operations for over a year, received all approvals and final license transfer for the dispensary, which was transferred to NMG LB at the end of August 2020, and are close to closing the asset purchase agreement for the ShowGrow Long Beach dispensary.

In Ohio, we, through NMG, were managing the fully operational The Clubhouse dispensary located in Elyria, Ohio, which is 30% owned by NMG, and have an agreement to acquire the remaining 70% of NMG Ohio LLC. We received all approvals and final license and name transfer from the Ohio Department of Pharmacy in early September 2020 and transferred the dispensary license and all assets and liabilities associated with such dispensary from NMG Ohio LLC to a 100% owned subsidiary of Body and Mind; however, the transfer of the remaining 70% interest in NMG Ohio LLC to NMG will not occur until NMG Ohio LLC receives a production license.

In Arkansas, we, through NMG, manage the “Body and Mind” branded medical marijuana dispensary in West Memphis, Arkansas, which opened on April 27, 2020.

Our common stock is listed on the Canadian Securities Exchange under the symbol “BAMM” and our common stock is posted for trading on the OTCQB Venture Market under the symbol “BMMJ.”

Our head office is located at 750 – 1095 West Pender Street, Vancouver, British Columbia, Canada V6E 2M6.

Development of Our Business

Incorporation and Early Corporate History

We were incorporated on November 5, 1998 in the State of Delaware under the name Concept Development Group, Inc. In May 2004, we acquired 100% of Vocalscape, Inc. and changed our name to Vocalscape, Inc. In November 2005, we changed our name to Nevstar Precious Metals Inc. In September 2008, we changed our name to Deploy Technologies Inc. (“**Deploy Tech**”) and effective November 14, 2017, we changed our name to Body and Mind, Inc. (“**Body and Mind**”).

On September 15, 2010, we incorporated a wholly-owned subsidiary, Deploy Acquisition Corp. (“**Deploy**”) under the laws of the State of Nevada, USA. On September 17, 2010, Deploy completed a merger with Deploy Tech, its former parent company, pursuant to which Deploy was the surviving corporation and assumed all the assets, obligations and commitments of Deploy Tech. Upon the completion of the merger Deploy assumed the name “Deploy Technologies Inc.” and all of the issued and outstanding common stock of Deploy Tech was automatically converted into and became Deploy’s – that is, our Company’s issued and outstanding common stock.

On May 10, 2011, we registered as an extra-provincial company in British Columbia, and on September 30, 2011, we filed a certificate of amendment with the Nevada Secretary of State to designate 2,900,000 shares of our authorized capital stock as Class A Preferred Shares (the “**Preferred Shares**”). On September 2, 2014, we filed a certificate of amendment with the Nevada Secretary of State increasing the authorized Preferred Shares from 2,900,000 shares to 20,000,000 shares.

On November 11, 2014, we filed a certificate of change with the Nevada Secretary of State whereby we reverse split our authorized as well as the issued and outstanding shares of common stock (the “**Common Shares**”) on the basis of one (1) new share for ten (10) old shares. This resulted in a reduction of our authorized capital from 100,000,000 Common Shares to 10,000,000 Common Shares, and a reduction of our issued and outstanding Common Shares from 23,130,209 Common Shares to approximately 2,313,021 Common Shares. On April 11, 2017, we filed a certificate of amendment with the Nevada Secretary of State to increase the authorized capital from 10,000,000 Common Shares to 900,000,000 Common Shares.

Acquisition of Nevada Medical Group, LLC

On September 14, 2017, we, with DEP, entered into a definitive agreement (the "**Share Exchange Agreement**") with Nevada Medical Group, LLC ("**NMG**"), whereby DEP acquired all of the issued and outstanding securities of NMG in exchange for (a) 16,000,000 post reverse-split Common Shares, (b) $2,000,000 cash, and (b) promissory notes (the "**Promissory Notes**") in the aggregate principal amount of $2,000,000, to the NMG securityholders on a pro rata basis in accordance with their respective ownership interest in NMG. The Promissory Notes were secured by a senior priority security interest in all of our assets, and were due to be repaid at the earlier of fifteen (15) months from the closing date of the Share Exchange Agreement, or, if an equity or debt financing subsequent to the Concurrent Financing (as defined below) were to be closed in an aggregate amount of not less than $5,000,000, then within 30 days of the closing date of such subsequent financing. The Share Exchange Agreement closed on November 14, 2017.

Pursuant to the Share Exchange Agreement, we changed our name to "Body and Mind, Inc.", effective on November 14, 2017, by filing a certificate of amendment with the Nevada Secretary of State; at the same time, we cancelled our entire authorized class of Preferred Shares. In addition, on November 14, 2017, we filed a certificate of change with the Nevada Secretary of State whereby we reverse split our issued and outstanding Common Shares on the basis of one (1) new share for three (3) old shares (the "**Consolidation**") which resulted in there being 28,239,876 Common Shares issued and outstanding post-Consolidation. Subsequent to completion of the Share Exchange Agreement, we filed articles of exchange with the Nevada Secretary of State.

Concurrent with the Share Exchange Agreement, we completed an equity financing to raise aggregate gross proceeds of CAD$6,007,429.89 through the issuance of subscription receipts (the "**Subscription Receipts**"), at a pre-Consolidation price of CAD$0.22 per Subscription Receipt (the "**Concurrent Financing**"). On November 14, 2017, each Subscription Receipt was exchanged in accordance with its terms, for no additional consideration, for one pre-Consolidation Common Share and one common share purchase warrant (each a "**Warrant**") of the Company. Each Warrant was exercisable by the holder at a price of CAD$0.90 for a period of 24 months from the date of issuance.

On completion of the Share Exchange Agreement, we assumed the business of NMG, being the cultivation and production of medical marijuana products.

Convertible Loan and Management Agreements with Comprehensive Care Group LLC

On March 19, 2018, we, through our wholly-owned subsidiaries 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 marijuana dispensary, 50 plant cultivation facility in West Memphis, Arkansas which agreements were effective as of March 15, 2019.

Pursuant to the Convertible Loan Agreement, DEP agreed to make loan advances to CCG from time to time in the aggregate principal amount of up to $1,250,000 and as of July 31, 2020, DEP has loaned $1,353,373 to CCG. The loan proceeds were used to fund the construction of the medical marijuana dispensary facility, and to provide working capital to cover initial operating expenses. The construction was completed and all permits and licenses were received for the dispensary in late April 2020, which opened for operations on April 27, 2020.

The interest on the outstanding principal amount is currently set at $6,000 per month, payable monthly in arrears on or before the first calendar day of each month. CCG is not obligated to repay any principal outstanding under the loan until March 30, 2021. Either CCG or DEP may unilaterally extend the maturity date by one year, and may thereafter continue to extend the maturity date on a yearly basis by increments of one year (each, an "**Extension Option**") by providing written notice of the exercise of the Extension Option by the party seeking an extension to the other party; provided, however, that under no circumstances shall any extended maturity date extend beyond the expiration of the term of the Management Agreement entered into between NMG and CCG.

Upon the latter of: (a) one year after granting of a medical marijuana 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, subject to DEP providing all reasonable assistance to obtain all necessary approvals from the applicable government authorities to engage in the medical marijuana dispensary business, 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, with the following preferred rights: (i) the right to an allocative share of 66.67% of the net profits of CCG (as defined in the Convertible Loan Agreement) and the right to distributions equal to 66.67% of the net profits on a monthly basis; (ii) the right to a 66.67% share of CCG's assets upon dissolution of CCG; and (iii) the right to 66.67% of all voting rights of members of CCG. DEP is waiting for regulatory clearance from the State regulators before proceeding with the conversion.

Pursuant to the Management Agreement, NMG provides operations and management services to CCG (including management, staffing, operations administration, oversight and other related services) for the medical marijuana dispensary. In consideration for such services CCG pays NMG a monthly management fee in the amount equal to 66.67% of the Monthly Net Profits (as defined below) of CCG for the immediately-preceding month. Notwithstanding the foregoing, in the event that DEP exercises its conversion right under the Convertible Loan Agreement, then NMG's monthly management fee shall be fixed at $6,000 per month, unless otherwise agreed by the parties in writing. For purposes of the Management Agreement, "Monthly Net Profits" means, for each calendar month, an amount equal to CCG's gross revenue for such calendar month less CCG's operating expenses (including cost of goods sold, interest, and tax for said month), as reasonably determined in accordance with generally accepted accounting principles.

Acquisition of NMG Ohio LLC

We, through NMG, currently own a 30% interest in NMG Ohio, LLC ("NMG Ohio"), which has a cannabis dispensary carrying on business as "The Clubhouse" in Elyria, Loraine County, Ohio as well as a provisional production license. On January 31, 2019, we, through NMG, entered into a definitive agreement to acquire the remaining 70% interest in NMG Ohio. The consideration for the remaining 70% interest in NMG Ohio consists of cash payments totaling $1,575,000 and 3,173,864 common shares of the Company. As at the date hereof, we have issued 3,173,864 common shares with a fair value of $1,742,076 and paid $1,575,000. Closing of the acquisition was subject to receipt of regulatory approval, which all approvals and final license and name transfer approvals from the Ohio Department of Pharmacy were received in early September 2020. As such, the dispensary license for The Clubhouse dispensary, as well as the assets and liabilities associated with the dispensary, were transferred to the Company's wholly-owned subsidiary, NMG OH 1 LLC. We anticipate closing the acquisition of the remaining 70% interest in NMG Ohio upon receipt of production license.

Strategic Investment and Commercial Advisory Agreements with Australis Capital Inc.

Pursuant to an investment agreement (the "**Investment Agreement**") entered into with Australis Capital Inc. ("**Australis**") on October 30, 2018, whereby Australis acquired (a) 16,000,000 units of the 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 (b) CAD$1,600,000 principal amount 8% unsecured convertible debentures (the "**Debentures**") of the Company, 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 us 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. The foregoing is more fully disclosed in our Current Report on Form 8-K filed with the SEC on November 5, 2018. On July 1, 2019, we entered into a conversion agreement with Australis, whereby Australis has agreed to convert the Debentures on July 1, 2020. Upon execution of the conversion agreement, we remitted CAD$148,340 to Australis as an advanced interest payment for the period from November 2, 2018 to July 1, 2020. On July 1, 2020, we issued 2,909,091 Common Shares to Australis at a deemed value of CAD$0.55 per Common Shares and the Debentures were fully converted to Common Shares.

In addition, pursuant to the terms of the Investment Agreement and subject to certain exceptions, Australis will be entitled to maintain its pro rata ownership interest of the Company until such time as it no longer holds 10% or more of our issued and outstanding common shares.

Furthermore, 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, provided that each director nominee must meet the requirements of applicable corporate, securities and other laws and rules of the CSE. As of July 31, 2020, Australis has exercised all of its warrants and the Debentures have all been converted, however, Australis no longer maintains ownership of at least 25% of our outstanding Common Shares. Australis' current nominee director on our Board of Directors is Brent Reuter.

Transaction and Settlement with Green Light District Holdings Inc. – ShowGrow Long Beach and San Diego

Prior Agreement with Green Light District Holdings Inc.

On November 28, 2018, we entered into an interim agreement (the "**Prior GLDH 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. We concurrently made a strategic investment in a senior secured convertible note issued by GLDH in the principal amount of $5,200,000 (the "**Prior GLDH Note**"), bearing interest at the rate of 20% per annum and maturing on November 28, 2020.

At the time, GLDH was the owner of the ShowGrow dispensary brand, and owner of:

(a) the ShowGrow Long Beach dispensary,

(b) 43% of the equity interest and 60% of the voting rights in the ShowGrow San Diego dispensary, and

(c) 30% of the equity interest in the ShowGrow Las Vegas dispensary.

GLDH is also the owner of the ShowGrow app. The dispensaries were in various stages of licensing.

In order to fund our original investment in GLDH, Australis advanced a $4,000,000 loan which was evidenced by a senior secured note dated November 28, 2018, bearing an interest rate of 15% per annum and maturing in two years. The terms required semi-annual interest payments unless we elected to accrue the interest by adding it to the principal amount of the debt facility. We may prepay the loan at any time, in any amount, subject to a 5% prepayment penalty on any amount repaid within the first year of the loan. 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 financing fee to Australis in the approximate amount of CAD$795,660, by issuing 1,105,083 Common Shares at a deemed price of CAD$0.72 per share.

Original Settlement and Release Agreement

On June 19, 2019, our Company, our indirect wholly-owned subsidiary NMG LB, and our 60% owned subsidiary NMG SD, entered into a settlement agreement (the "**Original GLDH Settlement Agreement**") with GLDH, The Airport Collective, Inc. ("**Airport Collective**"), Mr. Barakett, and SGSD, LLC ("**SGSD**"). SGSD was the commercial tenant at 7625 Carroll Road, San Diego, California 92121 (the "**San Diego Location**").

Pursuant to the Original GLDH Settlement Agreement, we, GLDH, and Mr. Barakett agreed to restructure the Prior GLDH Agreement, and enter into a mutual release of all claims related to the Prior GLDH Agreement.

In connection with the settlement, (a) SGSD agreed to assign its lease for the San Diego Location to NMG SD, and (b) GLDH, Airport Collective and NMG LB entered into an asset purchase agreement dated June 19, 2019 (the "**Asset Purchase Agreement**"), pursuant to which NMG LB agreed to purchase all of the assets of GLDH and Airport Collective utilized in the medical and adult-use commercial cannabis retail business at 3411 E. Anaheim St., Long Beach, CA 90804 (the "**Long Beach Location**").

Amended and Restated Settlement and Release Agreement

On June 28, 2019, we, NMG LB, NMG SD, GLDH, Airport Collective, Mr. Barakett, and SGSD entered into an amended and restated settlement and release agreement (the "**Amended GLDH Settlement Agreement**") which supersedes and replaces the Original GLDH Settlement Agreement. Pursuant to the Amended GLDH Settlement Agreement, the parties agreed as follows:

i. GLDH, Airport Collective, and Mr. Barakett agreed to release us from all claims related to the Prior GLDH Agreement upon closing of the Asset Purchase Agreement in consideration of the following:

   A. the Company issuing to Mr. Barakett or his designee up to 1,340,502 Common Shares at a deemed price of CAD$0.7439 per share, subject to NMG SD receiving all licenses, permits, and authorizations required for NMG SD to conduct medical commercial cannabis retail operations at the San Diego Location (the "**SD Medical Licenses**") (issued);

   B. the Company issuing to Mr. Barakett or his designee up to 1,340,502 Common Shares at a deemed price of CAD$0.7439 per share, subject to NMG SD receiving all licenses, permits, and authorizations required for NMG SD to conduct adult-use commercial cannabis retail operations at the San Diego Location (the "**SD Adult-use Licenses**") (issued); and

   C. the Company paying certain legal and consulting expenses incurred by GLDH, Airport Collective and Barakett in an aggregate amount of US$90,500 (paid); and

ii. SGSD agreed to assign its lease for the San Diego Location to NMG SD, and to release our Company, NMG LB and NMG SD from any and all claims, in consideration of the payment by us of a total of USD$500,000 to SGSD's members, to be paid and satisfied by the issuance of Common Shares to them at the maximum discount allowed by the CSE (issued).

NMG SD is owned 60% by the our subsidiary, DEP, and 40% by SJJR, LLC ("**SJJR**"). Mr. Barakett agreed to cover SJJR's portion of all start-up costs associated with NMG SD establishing commercial cannabis operations at the San Diego Location, inclusive of: (i) the costs associated with becoming a tenant at the San Diego Location; and (ii) all construction costs associated with building out the San Diego Location for NMG SD's operations. The share consideration payable to Mr. Barakett under the Amended GLDH Settlement Agreement is subject to reduction if Mr. Barakett fails to meet this obligation on a timely basis.

NMG SD, which has assumed the lease on the ShowGrow San Diego premises, has been awarded its own medical commercial cannabis retail license and adult-use commercial retail license and commenced operations on April 15, 2020. In consideration for the landlord, Green Road, LLC, agreeing to consent to the assignment of the original lease with SGSD to NGM SD, we agreed to provide the following consideration to the landlord:

i. $700,000 in Common Shares of the Company calculated upon execution of the assignment and first amendment to commercial lease (the "**Assignment and First Amendment**"), dated June 13, 2019, at the maximum discount allowed by the CSE to be issued to the landlord immediately following execution of the Assignment and First Amendment (1,031,725 shares issued on August 12, 2019);

ii. $783,765.26 in cash to be paid to the landlord via bank draft within five (5) business days of execution of the Assignment and First Amendment (paid); and

iii. $750,000 in cash, plus interest at the rate of five percent (5%) simple per annum accruing from the effective date to be paid no later than five (5) business days of the landlord's receipt from the City of San Diego of a Conditional Use Permit allowing adult-use commercial cannabis storefront retail operations at the San Diego Location (paid).

Pursuant to the Assignment and First Amendment, the parties agreed to amend the original lease to permit NMG SD to have three (3) five (5) year renewal options as opposed to two (2) renewal options. In addition, the parties agreed to reduce the amount of the sale bonus provision in the original lease to $1,000,000 from $2,000,000, which shall only be payable in connection with the first two assignments triggering this obligation, and thereafter, assignments will not require payment of a sale bonus. Furthermore, the parties also amended certain provisions of the original lease to ensure that any change in members representing less than fifty percent (50%) of the existing membership interests of NMG SD shall be an excluded transaction and not trigger the sale bonus or be deemed an assignment requiring consent of the landlord.

Amended and Restated Convertible Note and General Security Agreement

As contemplated by the Original GLDH Settlement Agreement, we entered into a loan agreement with GLDH dated June 19, 2019 (the "**2019 GLDH Loan Agreement**"), pursuant to which the Prior GLDH Note has been superseded and replaced with an amended and restated senior secured convertible note payable to us by GLDH in the principal amount of $5,200,000 (the "**Amended and Restated GLDH Note**"). The Amended and Restated GLDH Note bears interest at the rate of 20% per annum, compounded annually, and will mature and become repayable on June 19, 2022. GLDH's obligations under 2019 GLDH Loan Agreement and the Amended and Restated GLDH Note have been guaranteed by Airport Collective, and are secured under a security agreement dated June 19, 2019 by all of GLDH's and Airport Collective's personal property, including but not limited to equipment, inventory, accounts receivable, cash or cash equivalents, and rights under contracts.

Asset Purchase Agreement

Pursuant to the Asset Purchase Agreement, NMG Long Beach has agreed to purchase all of GLDH's and Airport Collective's assets (the " **Purchased Assets**") utilized in the retail cannabis business at the Long Beach Location for $6,700,000. Upon closing of the transaction, the outstanding principal amount under the Amended and Restated GLDH Note will be applied to the purchase price, and Airport Collective will be released from its obligations as a guarantor of the GLDH's obligations under the Amended and Restated GLDH Note.

We will pay the balance of the purchase price for the Purchased Assets by issuing up to 2,681,006 Common shares at a deemed price of CAD$0.7439 per share (issued in escrow on August 12, 2019); the number of shares required to pay and satisfy the balance of the purchase price for the Purchased Assets in the amount of $1,500,000 was determined with reference to the Agreed Foreign Exchange Rate of CAD$1.3296:USD$1.00. The purchase price – and therefore the amount of the share consideration - remains subject to reduction with reference to the liabilities of the business that will be outstanding on the closing date, which is expected to occur in the near future. NMG LB received all approvals and license transfer from local and state authorities to conduct medical and adult-use commercial cannabis retail operation at the Long Beach Location, which were transferred to NMG LC at the end of August 2020.

Contemporaneous Loan

We entered into a contemporaneous loan (the "**Contemporaneous Loan**") with GLDH in the amount of $726,720 to fund certain business improvements and expansion needs of GLDH's business operations. We and NMG LB agreed to forgive the Contemporaneous Loan on the date of closing of the Asset Purchase Agreement.

Management Assignment and Assumption Agreement

On or around August 1, 2019, NMG LB began managing the ShowGrow Long Beach business pursuant to the management assignment and assumption agreement dated June 19, 2019, among NMG LB, GLDH and Airport Collective. Under the agreement, NMG LB is entitled to manage the business and recognize the profits from the business until NMG LB receives all approval and license transfer for operations at the Long Beach Location, which were received and transferred at the end of August 2020, and the Asset Purchase Agreement is expected to close in the near future.

Transactions with Satellites Dip, LLC

On June 6, 2019, we, through our wholly-owned subsidiary, NMGCC entered into a management and administrative services agreement (the "**California Management Agreement**") with Satellites Dip, LLC, a California limited liability company ("**SD**") that is licensed to carry on commercial cannabis distribution and manufacturing operations within the state of California. Under the California Management Agreement, NMGCC agreed to provide certain management and administrative services to SD, in exchange for a management fee equal to the greater of: (a) 30% of net profits (as such term is defined in the California Management Agreement); and (b) $10,000 per month. The California Management Agreement had an initial term expiring on June 6, 2020.

In addition, NMGCC agreed to broker commercial arrangements between SD and third-party cannabis brand owners, with the view to securing licenses for use in SD's business. In particular, NMGCC agreed: (a) that, within 30 days of the effective date of the California Management Agreement, it would arrange for its affiliate company, NMG, to license certain trademarks and other intellectual property to SD for use relation to cannabis products to be manufactured by SD (the "**Branded Products**") on terms at least as favorable as the most favored licensee; (b) to use good faith efforts to establish similar license agreements with third-party cannabis brand owners; and (c) to use good faith efforts to assist SD in the development of SD branded products in the event SD decides to create its own brand(s).

NMGCC furnished equipment and machinery necessary for the manufacture of the Branded Products by SD. As contemplated by the California Management Agreement, NMGCC has leased such equipment and machinery to SD pursuant to an Equipment Lease Agreement between the parties dated June 6, 2019. The initial term of the Equipment Lease Agreement will expire on June 6, 2020 (see below for the Settlement Agreement and First Amendment to the Equipment Lease Agreement). It is the intent of the parties that the monthly rent payable under the Equipment Lease Agreement be completely net to NMGCC, such that NMGCC will 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. SD is solely responsible for any such costs, charges, expenses, and outlays, including taxes, maintenance, and repairs.

In conjunction with entering into the California Management Agreement, we through NMGCC entered into a loan and security agreement (the "**Loan Agreement**") dated June 6, 2019 (see below for the Settlement Agreement and Release Agreement), whereby NMGCC loaned SD US$250,000 to fund the property and business improvements and expansion needs of SD's business operations. The loan is due and payable on June 6, 2020, subject to extension by mutual agreement between the parties, and bears interest at a rate of 12% per annum. Interest will accrue and be compounded quarterly, and will be payable by SD upon maturity. SD may prepay, in whole or in part, all or any portion of the principal amount and accrued interest on the loan without being subject to any pre-payment penalty. The loan was evidenced by a promissory note, and the performance of SD of its obligations under the loan agreement and the promissory note are secured pursuant to a security agreement.

Settlement and Release Agreement

On November 30, 2019, we through NMGCC entered into a settlement and release agreement (the "**Settlement Agreement**") with SD whereby NMGCC and SD agreed to terminate the California Management Agreement and to enter into a mutual release of any and all claims related to the California Management Agreement, subject to the terms of the Settlement Agreement.

As of November 30, 2019, SD owed NMGCC management fees (the "**Monies Owed**") under the California Management Agreement. In consideration of NMGCC's discharge of the Monies Owed, SD has agreed to pay NMGCC one-hundred percent (100%) of all proceeds received from the sale of all or any part of its inventory (the "**Inventory**") as of November 1, 2019. Pursuant to the Settlement Agreement, SD shall provide monthly updates of the remaining Inventory until the Inventory has been fully exhausted. NMGCC will determine the sale price for any item in Inventory subject to the Settlement Agreement.

As part of the Settlement Agreement, each of SD and NMGCC mutually agree to release and discharge the other from any and all claims arising from the California Management Agreement on or before November 30, 2019.

Brand Director Agreement

In conjunction with the Settlement Agreement, on November 30, 2019, NMGCC entered into a brand director agreement (the "**Brand Director Agreement**") with SD. Pursuant to the Brand Director Agreement, SD engaged NMGCC to provide certain advisory and brand director services in connection with SD's manufacture of Company-branded products, as well as certain other products (the "**Managed Products**") as agreed to by NMGCC (the "**Brand Director Services**"). The initial term of the Brand Director Agreement was six months and the parties may continue to renew the Brand Director Agreement for successive three-month renewal periods.

The Brand Director Services include: (a) managing SD's production of the Managed Products; (b) payment of a reimbursement fee to SD equal to the amount of direct costs and direct taxes applicable to the Managed Products; (c) managing inventory of the Managed Products; and (d) directing SD to enter into distribution agreements and sale agreements with third-party commercial cannabis licensees for the distribution and sale of the Managed Products in accordance with applicable law. Pursuant to the Brand Director Agreement, NMGCC will pay a monthly fee (the "**Contribution Fee**") of $5,000 to SD, however, SD waived payment of the Contribution Fee for the first five (5) months of the Brand Direction Agreement.

In consideration for the Brand Director Services, SD agreed to pay NMGCC a monthly brand director fee to be calculated as follows: (x) net revenue for a single calendar month, multiplied by, (y) seventy-five percent (75%); (z) plus any fees to be paid to NMGCC in connection with the equipment lease agreement (the "**Equipment Lease Agreement**") dated June 6, 2019 (the "**Equipment Lease Fee**") added to the product of (x) and (y), the (q) total amount shall be the fee paid to NMGCC. If the net revenue, minus the product of (x) and (y) is less than the Equipment Lease Fee in any given month, the difference shall carry over to the subsequent month, to be added to that month's Equipment Lease Fee, or the difference may be paid by SD at its sole option.

Equipment Purchase Agreement

Also in conjunction with the Settlement Agreement, on November 30, 2019, NMGCC and SD entered into an equipment purchase agreement (the "**Equipment Purchase Agreement**") pursuant to which NMGCC agreed to purchase certain equipment (the "**Equipment**") from SD. The aggregate purchase price for the Equipment is $235,685.

First Amendment to the Equipment Lease Agreement

On November 30, 2019, NMGCC and SD entered into an amendment (the "**First Amendment**") to the Equipment Lease Agreement. Pursuant to the First Amendment, NMGCC and SD amended (i) the term of the Equipment Lease Agreement to be coterminous with the Brand Director Agreement; and (ii) to update the equipment being leased pursuant to the Equipment Lease Agreement and to update the monthly rental rate for the equipment being leased.

Release & Satisfaction of Loan Agreement

On November 30, 2019, NMGCC and SD entered into a release and satisfaction of loan agreement (the "**Release Agreement**"). Pursuant to the Release Agreement, NMGCC agreed that all indebtedness of SD to NMGCC arising from the Loan Agreement (and promissory note issued in connection with the Loan Agreement) is hereby satisfied and discharged in full. The release is granted based on SD's obligations and duties pursuant to the Equipment Purchase Agreement and its five (5) month waiver of the Contribution Fee under the Brand Director Agreement.

New Nevada Production Facility

On June 20, 2019, we announced the receipt of a conditional use permit from Clark County, Nevada, for a new production facility located within one mile of NMG's existing cultivation facility located at 3375 Pepper Lane, in Las Vegas. The new facility is approximately 7,500 square feet, and tenant improvement of the building holding the facility was completed in February 2020. The new facility includes high-volume extraction equipment, which we expect will dramatically increase our manufacturing capacity and efficiency for our extraction products, including oils, wax, live resin and ambrosia. The new facility also expands the kitchen area and creates an opportunity for the Company to white label for brands seeking an entry to the Nevada market. After passing all inspections, receiving all permits, and finalizing license transfer approvals, the new production facility began operations in March 2020.

Results of Operations for the three month periods ended January 31, 2021 and 2020:

The following table sets forth our results of operations for the three month periods ended January 31, 2021 and 2020:

	January 31, 2021 $	**January 31, 2020 $**
Sales	6,315,411	1,572,284
Cost of Sales	(3,567,425)	(1,043,085)
Gross Margin	2,747,986	529,199
General and Administrative Expenses	(2,555,432)	(1,812,866)
Loss for the Period	(1,147,100)	(1,235,352)
Foreign Currency Translation Adjustment	81,237	(103,440)
Comprehensive Loss	(1,065,863)	(1,338,792)
Basic and Diluted Loss Per Share	(0.01)	(0.01)

Revenues

For the three month period ended January 31, 2021 we had total sales of $6,315,411 and cost of sales of $3,567,425 for a gross margin of $2,747,986 compared to total sales of $1,572,284 and cost of sales of $1,043,085 for a gross margin of $529,199 in the three month period ended January 31, 2020. The significant increase in sales and cost of sales for the period ended January 31, 2021 is largely due to the acquisition of two additional dispensaries. During the three months ended January 31, 2021, the Company recorded product sales as follows:

Revenues – By Product	**Three months ended January 31, 2021 $**	**%**
Flower	4,240,775	67%
Concentrates	1,462,734	23%
Edibles	551,697	9%
Others	60,205	1%
Total	6,315,411	

Revenues – By Product	Three months ended January 31, 2020 $	%
Flower	1,286,109	82%
Concentrates	217,154	14%
Edibles	69,021	4%
Total	1,572,284	

The Company's revenue generating products, being flower, concentrates, edibles, are expected to have relatively consistent revenues for the foreseeable future.

Operating Expenses

For the three month period ended January 31, 2021, operating expenses totaled $2,555,432 compared with $1,812,866 for the three month period ended January 31, 2020. A significant reason for the increase in operating expenses between the periods related to an increase in salaries and wages from $453,807 to $773,437 as the Company continues to expand, increase in rent from $8,092 to $52,337, increase in licenses, utilities and office administration from $239,576 to $537,928 and an increase in depreciation of property and equipment from $5,331 to $297,370. The Company's office administration and salaries and wages increased considerably as a result of increased operations in Nevada as well as recently acquired operations in Long Beach, San Diego and Ohio.

Other Items

During the three month period ended January 31, 2021, our other items accounted for $185,560 of expenses as compared to $48,315 of income for the three month period ended January 31, 2020. The significant components in other items primarily relates to the Company's proportion of income on equity investee in NMG Ohio LLC of $Nil (2020 – $103,899), interest income on the secured convertible note related to the investment in GLDH and convertible loan receivable from CCG in the amount of $19,224 (2020 - $278,688), and other expenses of $179,159 (2020 - $Nil) related to the Company's Brand Director Agreement in Cathedral City.

Net Loss

Net income for the quarter ended January 31, 2021 totaled $1,147,100 compared with a net loss of $1,235,352 for the quarter ended January 31, 2020. The decrease in net loss is largely due to the increase in gross profit, partially offset by an increase in general and administrative expenses. Included in the net loss for the three months ended January 31, 2021 is income tax expense of $1,154,094 (2020 - $Nil).

Other Comprehensive Loss

We recorded translation adjustments of $81,237 and ($103,440) for the three months ended January 31, 2021 and 2020, respectively. The amounts are included in the statement of operations as other comprehensive gain for the respective periods.

Results of Operations for the six month periods ended January 31, 2021 and 2020:

The following table sets forth our results of operations for the six month periods ended January 31, 2021 and 2020:

	January 31, 2021 $	January 31, 2020 $
Sales	11,609,769	3,013,910
Cost of Sales	(7,061,729)	(2,164,582)
Gross Margin	4,548,040	849,328
General and Administrative Expenses	(5,050,795)	(3,455,523)
Loss for the Period	(1,925,467)	(2,132,149)
Foreign Currency Translation Adjustment	349,334	15,753
Comprehensive Loss	(1,576,133)	(2,116,396)
Basic and Diluted Loss Per Share	(0.02)	(0.02)

Revenues

For the six month period ended January 31, 2021 we had total sales of $11,609,769 and cost of sales of $7,061,729 for a gross margin of $4,548,040 compared to total sales of $3,013,910 and cost of sales of $2,164,582 for a gross margin of $849,328 in the six month period ended January 31, 2020. The significant increase in sales and cost of sales for the period ended January 31, 2021 is largely due to the acquisition of two additional dispensaries.

During the six months ended January 31, 2021, the Company recorded product sales as follows:

Revenues – By Product	**Six months ended January 31, 2021 $**	**%**
Flower	7,849,168	68%
Concentrates	2,605,981	22%
Edibles	960,864	8%
Others	193,756	2%
Total	11,609,769	

Revenues – By Product	**Six months ended January 31, 2020 $**	**%**
Flower	2,336,175	78%
Concentrates	521,110	17%
Edibles	156,625	5%
Total	3,013,910	

The Company's revenue generating products, being flower, concentrates, edibles, are expected to have relatively consistent revenues for the foreseeable future.

Operating Expenses

For the six month period ended January 31, 2021, operating expenses totaled $5,050,795 compared with $3,455,523 for the six month period ended January 31, 2020. A significant reason for the increase in operating expenses between the periods related to an increase in salaries and wages from $937,858 to $1,556,055 as the Company continues to expand, increase in rent from $20,457 to $90,688, increase in licenses, utilities and office administration from $544,300 to $1,113,173 and an increase in depreciation of property and equipment from $10,206 to $542,707. The Company's office administration and salaries and wages increased considerably as a result of increased operations in Nevada as well as recently acquired operations in Long Beach, San Diego and Ohio.

Other Items

During the six month period ended January 31, 2021, our other items accounted for $241,357 of income as compared to $474,046 for the six month period ended January 31, 2020. The significant components in other items primarily relates to the Company's proportion of income on equity investee in NMG Ohio LLC of $24,872 (2020 – $191,550), interest income on the secured convertible note related to the investment in GLDH and convertible loan receivable from CCG in the amount of $125,367 (2020 - $556,688), other income of $288,046 (2020 - $125,000), the bargain purchase price of the Ohio dispensary acquisition of $208,176 (2020 - $Nil) and other expenses of $179,159 (2020 - $Nil) related to the Company's Brand Director Agreement in Cathedral City.

Net Loss

Net loss for the six months ended January 31, 2021 totaled $1,925,467 compared with a net loss of $2,132,149 for the six months ended January 31, 2020. The decrease in net loss is largely due to the increase in gross profit, partially offset by an increase in general and administrative expenses. Included in the net loss for the six months ended January 31, 2021 is income tax expense of $1,664,069 (2020 - $Nil).

Other Comprehensive Loss

We recorded translation adjustments of $349,334 and $15,753 for the six months ended January 31, 2021 and 2020, respectively. The amounts are included in the statement of operations as other comprehensive gain for the respective periods.

Liquidity and Capital Resources

The following table sets out our cash and working capital as of January 31, 2021:

	As of January 31, 2021 (unaudited)
Cash reserves	$ 1,166,089
Working capital	$ 1,130,543

At January 31, 2021, we had cash of $1,166,089 as compared to cash of $1,352,130 at July 31, 2020. The Company has minimal committed capital expenditures. We believe our existing and available capital resources will be sufficient to satisfy our funding requirements for the next 12 months.

Statement of Cash flows

During the six month period ended January 31, 2021, our net cash decreased by $186,041 (2020 - $5,630,637), which included net cash used in operating activities of $105,356 (2020 - $2,565,786), net cash used in investing activities of $420,967 (2020 - $3,173,895), net cash used in financing activities of $9,052 (2020 – provided $90,840) and effect of exchange rate changes on cash and cash equivalents of $349,334 (2020 - $18,204).

Cash Flow used in Operating Activities

Cash flow used in operating activities totaled $105,356 and $2,565,786 during the six months ended January 31, 2021 and 2020, respectively. Significant changes in cash used in operating activities are outlined as follows:

- The Company incurred a net loss from operations of $1,925,467 during the six months ended January 31, 2021 compared to $2,132,149 in 2020. The net loss in 2021 included, among other things, depreciation of $252,627 (2020 - $157,855), amortization of ROU assets and licenses of $618,261 (2020 - $Nil), accrued interest income of $124,143 (2020 - $520,000), gain of equity investee of $24,872 (2020 - $191,550), stock-based compensation of $488,822 (2020 - $659,015), and bargain purchase on investment in Ohio of $208,176 (2020 - $Nil).

The following non-cash items further adjusted the loss for the six months ended January 31, 2021 and 2020:

- Increase in amounts receivable and prepaid of $558,579 (2020 - $716,996), increase in inventory of $91,968 (2020 - $131,841), increase in trade payables and accrued liabilities of $240,002 (2020 - decrease of $37,812), increase in income taxes payable of $1,456,726 (2020 - $Nil), increase in due to related parties of $11 (2020 - decrease of $5,272), decrease of lease liabilities of $93,943 (2020 - $Nil), increase in deferred tax liability of $206,218 (2020 - $Nil) and decrease in loan to NMG Ohio LLC of $228,736 (2020 - $Nil).

Cash Flow used in Investing Activities

During the six month period ended January 31, 2021, investing activities used cash of $420,967 compared to $3,173,895 during the six month period ended January 31, 2020. The change in cash used in investing activities from the six month period ended January 31, 2021 relates primarily to a convertible loan of $311,353 (2020 - $842,085) provided to CCG in Arkansas, additional property and equipment of $224,477 (2020 - $802,471) and cash provided by the acquisition of GLDH and NMG OH 1 of $114,863, net of cash investment (2020 - used $1,529,339).

Cash Flow provided by Financing Activities

During the six month period ended January 31, 2021, financing activities used cash of $9,052 compared to a positive cash flow of $90,840 during the six month period ended January 31, 2020. During the six month period ended January 31, 2021, the Company repaid a loan of $9,052 (2020 - $Nil). In 2019, the Company issued 165,715 common shares for proceeds of $90,840 related to the exercise of 165,715 warrants.

Trends and Uncertainties

Potential Impact of the COVID-19 Pandemic

In December 2019, a strain of novel coronavirus (now commonly known as COVID-19) was reported to have surfaced in Wuhan, China. COVID-19 has since spread rapidly throughout many countries, and, on March 11, 2020, the World Health Organization declared COVID-19 to be a pandemic. In an effort to contain and mitigate the spread of COVID-19, many countries, including the United States, Canada and China, have imposed unprecedented restrictions on travel, and there have been business closures and a substantial reduction in economic activity in countries that have had significant outbreaks of COVID-19. COVID-19 may have a future material impact on our results of operation with respect to retail sales at our dispensary locations as well as wholesales of our products in Nevada to dispensaries in Nevada. Significant uncertainty remains as to the potential impact of the COVID-19 pandemic on our operations, and on the global economy as a whole. It is currently not possible to predict how long the pandemic will last or the time that it will take for economic activity to return to prior levels. We do not yet know the full extent of any impact on our business or our operations, however, we will continue to monitor the COVID-19 situation closely, and intend to follow health and safety guidelines as they evolve.

Off-balance sheet arrangements

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Subsequent Events

On March 6, 2021, the board of directors appointed Alexis Podesta as a director of the Company. Alexis Podesta has served in senior roles in both the public and private sector. Known for her talent to skillfully navigate complex policy and political issues, her broad portfolio has included problem-solving on high-profile policies in both government and the corporate world.

On March 6, 2021, the Company granted 1,250,000 to current directors and officers of the Company with an exercise price of CAD$0.68 per share for a term of five (5) years expiring on March 6, 2026. The options are subject to vesting provisions such that 25% of the Options vest six (6) months from the date of grant, 25% of the Options vest twelve (12) months from the date of grant, 25% of the Options vest eighteen (18) months from the date of grant and 25% of the Options vest twenty-four (24) months from the date of grant.

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 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 December 15, 2022. The Company does not anticipate this amendment to have a significant impact on the consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes. ASU 2019-12 removes certain exceptions for investments, intraperiod allocations and interim calculations, and adds guidance to reduce complexity in accounting for income taxes. ASU 2019-12 is effective for annual and interim periods beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the effect of adopting this ASU on the Company's consolidated financial statements.

Management of financial risks

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

- Credit risk

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

- 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 of $1,130,543 as at January 31, 2021. However, the Company may require additional financing to meet all current and future financial obligations.

- 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

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 4 – CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures to ensure that material information relating to us is made known to the officers who certify our financial reports and the Board.

Based on their evaluation as of January 31, 2021, our principal executive and principal financial and accounting officers have concluded that these disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were not effective as of January 31, 2021 to provide reasonable assurance that information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in Securities and Exchange Commission rules and forms and that information required to be disclosed by us in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

In our assessment of the effectiveness of our internal control over financial reporting as at January 31, 2021, based on criteria for effective internal control over financial reporting described in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, material weaknesses were identified regarding experienced personnel with knowledge of GAAP and the proper levels of supervision and review required to provide timely financial information. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements could not be prevented or detected on a timely basis.

The Company added more experienced personnel in the accounting department to remediate this material weaknesses. However, the Company's management will not consider this remediated until the control procedures operate for a period of time and the control procedures are tested to ensure they are operating effectively.

It should be noted that any system of controls is based in part upon certain assumptions designed to obtain reasonable (and not absolute) assurance as to its effectiveness, and there can be no assurance that any design will succeed in achieving its stated goals.

Change in Internal Control over Financial Reporting

For the quarter ended January 31, 2021, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

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 November 14, 2020, we issued 70,500 shares of common stock to Toro Pacific Management Inc. ("Toro") pursuant to the assignment agreement between the Company, Toro and NMG at a deemed price of CAD$0.66 per share. We relied upon the exemption from registration under the Securities Act provided by Rule 903 of Regulation S under the Securities Act as Toro is a non-U.S. person and the securities were issued to Toro through an offshore transaction which was negotiated and consummated outside of the United States.

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 – MINE SAFETY 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: March 17, 2021

BY: */s/ Michael Mills*
Michael Mills,
President and Chief Executive Officer
(Principal Executive Officer)

Date: March 17, 2021

BY: */s/ Dong Shim*
Dong H. Shim,
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 31.1

CERTIFICATION

I, Michael Mills, 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: March 17, 2021

/s/ Michael Mills
Michael Mills, President and CEO
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Dong H. Shim, 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: March 17, 2021

/s/ Dong Shim
Dong H. Shim, 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 January 31, 2021, each of Michael Mills, the Chief Executive Officer, and Dong H. Shim, 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: March 17, 2021

/s/ Michael Mills
Michael Mills, Principal Executive Officer
(Principal Executive Officer)

/s/ Dong Shim
Dong H. Shim, 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.