

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended April 30, 2022

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

(State or other jurisdiction of organization)

98-1319227

(I.R.S. employer identification no.)

750 – 1095 West Pender Street
Vancouver, British Columbia, Canada

(Address of principal executive offices)

V6E 2M6

(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
Non-accelerated Filer

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: 113,349,464 shares of common stock outstanding as of June 20, 2022.

BODY AND MIND INC.

FORM 10-Q

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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 30 April 2022 (unaudited)	As of 31 July 2021
Current		
Cash	\$ 3,706,894	\$ 7,374,194
Amounts receivable	817,936	1,544,957
Interest receivable on convertible loan (Note 6)	204,000	150,000
Prepays	685,763	413,246
Inventory (Note 5)	4,319,904	2,936,156
Convertible loan receivable (Note 6)	1,893,252	1,648,816
Loan receivable (Note 7)	239,834	239,834
Total Current Assets	11,867,583	14,307,203
Deposit	113,828	470,546
Loan receivable from NMG Ohio LLC (Note 8)	-	891,279
Property and equipment, net (Note 10)	5,691,657	4,893,790
Operating lease right-of-use assets (Note 15)	6,306,767	2,539,023
Brand and licenses, net (Note 12)	23,063,866	19,855,068
Goodwill (Note 12)	5,947,498	5,168,902
TOTAL ASSETS	\$ 52,991,199	\$ 48,125,811
LIABILITIES		
Current		
Accounts payable	\$ 2,138,784	\$ 1,686,376
Accrued liabilities	102,000	105,538
Income taxes payable	6,254,200	3,832,078
Due to related parties (Note 13)	46,720	52,074
Loans payable (Note 14)	16,962	16,874
Current portion of operating lease liabilities (Note 15)	886,202	761,415
Total Current Liabilities	9,444,868	6,454,355
Long-term operating lease liabilities (Note 15)	5,084,579	2,323,525
Loans payable (Note 14)	7,455,603	4,798,871
Deferred tax liability	714,356	198,339
TOTAL LIABILITIES	22,699,406	13,775,090
STOCKHOLDERS' EQUITY		
Capital Stock— Statement 3 (Note 16)		
Authorized:		
900,000,000 Common Shares – Par Value \$0.0001		
Issued and Outstanding:		
113,349,464 (31 July 2021–109,077,778) Common Shares	11,334	10,907
Additional paid-in capital	52,184,483	50,312,013
Accumulated other comprehensive income	1,057,793	1,127,713
Accumulated Deficit	(23,322,485)	(17,126,510)
TOTAL STOCKHOLDERS' EQUITY ATTRIBUTABLE TO BAM STOCKHOLDERS	29,931,125	34,324,123
NON-CONTROLLING INTEREST	360,668	26,598
TOTAL STOCKHOLDERS' EQUITY	30,291,793	34,350,721
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 52,991,199	\$ 48,125,811

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

Condensed Consolidated Interim Statements of Operations (unaudited)

(U.S. Dollars)

	Three Month Period Ended 30 April		Nine Month Period Ended 30 April	
	2022	2021	2022	2021
Sales	\$ 7,876,674	\$ 7,156,016	\$ 23,494,016	\$ 18,765,785
Cost of sales	(4,969,619)	(2,882,750)	(14,072,787)	(9,944,479)
	2,907,055	4,273,266	9,421,229	8,821,306
General and Administrative Expenses				
Accounting and legal	147,289	238,876	698,133	704,890
Business development	390,555	863,589	565,630	876,925
Consulting fees	259,722	133,584	650,929	325,666
Depreciation and amortization	445,656	289,920	1,214,981	832,627
Lease expense	267,715	102,029	600,178	292,660
Licenses, utilities and office administration	1,268,447	770,793	3,350,992	2,151,184
Management fees	49,778	84,676	338,815	305,432
Salaries and wages	1,326,073	837,565	3,610,271	2,393,620
Stock-based compensation	91,383	244,276	386,327	733,098
	(4,246,618)	(3,565,308)	(11,416,256)	(8,616,102)
Net Operating Income (Loss) Before Other Income (Expenses)	(1,339,563)	707,958	(1,995,027)	205,204
Other Income (Expenses)				
Foreign exchange, net	10	(90)	324	140
Interest expense	(338,185)	(1,357)	(1,016,969)	(2,684)
Interest income	18,000	21,252	54,000	146,619
Other income (expense)	18,952	8,625	34,906	(107,336)
Gain on bargain purchase	-	-	-	208,176
Equity-method investment change from earnings	-	(11,653)	-	13,219
Net Income (Loss) for the Period Before Income Tax	\$ (1,640,786)	\$ 724,735	\$ (2,922,766)	\$ 463,338
Income tax expense	(821,317)	(976,458)	(2,939,139)	(2,640,527)
Net Loss for the Period	(2,462,103)	(251,723)	(5,861,905)	(2,177,189)
Other Comprehensive Income				
Foreign currency translation adjustment	(71,041)	(349,334)	(69,920)	-
Comprehensive Loss for the Period	\$ (2,533,144)	\$ (601,057)	\$ (5,931,825)	\$ (2,177,189)
Net income (loss) attributable to:				
Body and Mind Inc.	(2,530,064)	(353,637)	(6,195,975)	(2,341,082)
Non-controlling interest	67,961	101,914	334,070	163,893
Comprehensive income (loss) attributable to:				
Body and Mind Inc.	(2,601,105)	(702,971)	(6,265,895)	(2,341,082)
Non-controlling interest	67,961	101,914	334,070	163,893
Loss per Share – Basic and Diluted	\$ (0.02)	\$ (0.00)	\$ (0.05)	\$ (0.02)
Weighted Average Number of Common Shares Outstanding	113,349,464	108,818,789	111,806,303	108,255,847

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

Condensed Consolidated Interim Statements of Changes in Stockholders' Equity (unaudited)
(U.S. Dollars)

	Share Capital		Additional paid-in capital	Shares to be issued	Accumulated other		Non- controlling interest	Total
	Common Shares				comprehensive income	Accumulated Deficit		
	Number	Amount						
Balance – 31 July 2021	109,077,778	\$ 10,907	\$ 50,312,013	\$ -	\$ 1,127,713	\$ (17,126,510)	\$ 26,598	\$ 34,350,721
Common stock issued for lease liabilities	1,543,530	154	546,872	-	-	-	-	547,026
Stock-based compensation (Note 16)	-	-	145,175	-	-	-	-	145,175
Foreign currency translation adjustment	-	-	-	-	36,281	-	-	36,281
Loss (income) for the period	-	-	-	-	-	(789,089)	111,835	(677,254)
Balance – 31 October 2021	110,621,308	\$ 11,061	\$ 51,004,060	\$ -	\$ 1,163,994	\$ (17,915,599)	\$ 138,433	\$ 34,401,949
Common stock issued in acquisition of Canopy	2,782,156	273	939,271	-	-	-	-	939,544
Stock-based compensation (Note 16)	-	-	149,769	-	-	-	-	149,769
Foreign currency translation adjustment	-	-	-	-	(35,160)	-	-	(35,160)
Loss (income) for the period	-	-	-	-	-	(2,876,822)	154,274	(2,722,548)
Balance – 31 January 2022	113,349,464	\$ 11,334	\$ 52,093,100	\$ -	\$ 1,128,834	\$ (20,792,421)	\$ 292,707	\$ 32,733,554
Stock-based compensation (Note 16)	-	-	91,383	-	-	-	-	91,383
Foreign currency translation adjustment	-	-	-	-	(71,041)	-	-	(71,041)
Loss (income) for the period	-	-	-	-	-	(2,530,064)	67,961	(2,462,103)
Balance – 30 April 2022	113,349,464	\$ 11,334	\$ 52,184,483	\$ -	\$ 1,057,793	\$ (23,322,485)	\$ 360,668	\$ 30,291,793
Balance – 31 July 2020	107,513,812	\$ 10,751	\$ 47,665,678	\$ 19,703	\$ 731,768	\$ (14,865,608)	\$ (257,843)	\$ 33,304,449
Common stock issued in acquisition of NMG Ohio LLC	793,466	79	296,963	-	-	-	-	297,042
Stock-based compensation (Note 16)	-	-	287,631	-	-	-	-	287,631
Foreign currency translation adjustment	-	-	-	-	268,097	-	-	268,097
Loss (income) 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 16)	-	-	201,191	-	-	-	-	201,191
Foreign currency translation adjustment	-	-	-	-	81,237	-	-	81,237
Loss (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
Exercise of options	700,000	70	316,975	-	-	-	-	317,045
Stock-based compensation (Note 16)	-	-	244,276	-	-	-	-	244,276
Foreign currency translation adjustment	-	-	-	-	(27,046)	-	-	(27,046)
Loss (income) for the period	-	-	-	-	-	(353,636)	101,914	(251,722)
Balance – 30 April 2021	109,077,778	\$ 10,907	\$ 49,032,410	\$ -	\$ 1,054,056	\$ (17,206,690)	\$ (93,950)	\$ 32,796,733

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

Condensed Consolidated Interim Statements of Cash Flows (unaudited)

(U.S. Dollars)

Cash Resources Provided By (Used In)	Nine Month Period Ended 30 April	
	2022	2021
Operating Activities		
Net loss for the period	\$ (5,861,905)	\$ (2,177,189)
Items not affecting cash:		
Amortization of debt discount	356,732	-
Accrued interest income	(54,000)	(54,000)
Amortization of licenses	1,061,202	775,692
Non-cash costs - operating leases	719,096	292,660
Depreciation	709,241	379,043
Foreign exchange	-	(130,125)
Equity-method investment change from earnings	-	(24,872)
Gain on bargain purchase	-	(208,176)
Stock-based compensation	386,327	733,098
Amounts receivable and prepaids	493,515	(253,482)
Inventory	(731,072)	(1,391,032)
Deposits	(113,828)	-
Trade payables and accrued liabilities	127,827	(276,126)
Income taxes payable and deferred taxes	2,938,139	2,574,933
Due to related parties	(5,354)	(15,228)
Operating lease liabilities	(583,427)	(246,325)
Cash used in operating activities	(557,507)	(21,129)
Investing Activities		
Investment in NMG Ohio, LLC, net of cash received	(54,415)	(136,326)
Loan to NMG Ohio LLC	-	(228,736)
Investment in GLDH, net of cash received	-	97,706
Cash paid in acquisition of Canopy, net of cash received	(2,121,497)	-
Purchase of property and equipment	(619,613)	(275,433)
Acquisition of NMG LB, net of cash received	-	65,340
Convertible loan receivable	(244,436)	(164,947)
Cash used in investing activities	(3,039,961)	(642,396)
Financing Activities		
Proceeds from option exercises	-	317,045
Loans received	22,194	-
Loans repaid	(22,106)	(12,190)
Cash provided by financing activities	88	304,855
Effect of exchange rate changes on cash	(69,920)	322,288
Net Decrease in Cash	(3,667,300)	(36,382)
Cash- Beginning of Period	7,374,194	1,352,130
Cash- End of Period	\$ 3,706,894	\$ 1,315,748

Supplemental Disclosures with Respect to Cash Flows (Note 18)

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

Body and Mind Inc.**Notes to Condensed Consolidated Interim Financial Statements
For the Nine Months Ended 30 April 2022
(U.S. Dollars)****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 Long Beach LLC (“NMG LB”)	California, USA	100%	18 December 2018
NMG Cathedral City LLC	California, USA	100%	4 January 2019
NMG San Diego LLC (“NMG SD”)	California, USA	60%	30 January 2019
NMG Ohio LLC (“NMG Ohio”)	Ohio, USA	100%	27 April 2017
NMG OH 1, LLC (“NMG OH 1”)	Ohio, USA	100%	29 January 2020
NMG OH P1, LLC (“NMG OH P1”)	Ohio, USA	100%	29 January 2020
NMG MI 1, Inc. (“NMG MI 1”)	Michigan, USA	100%	24 June 2021
NMG MI C1 Inc.	Michigan, USA	100%	24 June 2021
NMG MI P1 Inc.	Michigan, USA	100%	24 June 2021
Canopy Monterey Bay, LLC (“Canopy”)	California, USA	80%*	1 December 2021

* Represents the Company’s controlling interest (see Note 11). The Company is yet to close its acquisition and does not have a legal ownership.

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

2. Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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.

Body and Mind Inc.

**Notes to Condensed Consolidated Interim Financial Statements
For the Nine Months Ended 30 April 2022
(U.S. Dollars)**

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. Adoption this ASU did not have a significant impact on the Company's consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. ASU 2021-08 requires the recognition and measurement of contract assets and contract liabilities acquired in a business combination in accordance with ASC 606, *Revenue from Contracts with Customers*. Considerations to determine the amount of contract assets and contract liabilities to record at the acquisition date include the terms of the acquired contract, such as timing of payment, identification of each performance obligation in the contract and allocation of the contract transaction price to each identified performance obligation on a relative standalone selling price basis as of contract inception. ASU 2021-08 is effective for the Company beginning in the first quarter of 2023. ASU 2021-08 should be applied prospectively for acquisitions occurring on or after the effective date of the amendments. Early adoption of the proposed amendments would be permitted, including adoption in an interim period. The Company is currently assessing the impact this standard will have 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.

In the opinion of management, the unaudited consolidated interim financial statements reflect all adjustments of a normal recurring nature that are necessary for a fair presentation of the results for the interim periods presented. Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-Q should be read in conjunction with information included in the Company's fiscal year 2021 Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on 19 November 2021.

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 30 April 2022 and 31 July 2021, the Company has no allowance for doubtful accounts.

Body and Mind Inc.

**Notes to Condensed Consolidated Interim Financial Statements
For the Nine Months Ended 30 April 2022
(U.S. Dollars)**

3. Significant Accounting Policies – Continued

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 for wholesale operations. Upon transfer of control, the Company has no further performance obligations. All retail sales are considered cash on delivery.

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.

See Note 17 for revenue disaggregation table.

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 30 April 2022 and 31 July 2021, the Company has no allowance for inventory obsolescence.

Loans receivable

The Company carries its loans receivable at cost and are reviewed for indicators of impairment at least annually.

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

Intangible assets

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 10 years, brands and licenses acquired by NMG LB and NMG OH 1 have a finite life of 10 years, customer relationships acquired by NMG OH 1 have a finite life of five years, licenses acquired by Canopy have a finite life of 10 years and are amortized over these estimated useful lives on a straight-line basis.

Body and Mind Inc.

**Notes to Condensed Consolidated Interim Financial Statements
For the Nine Months Ended 30 April 2022
(U.S. Dollars)**

3. Significant Accounting Policies – Continued

Goodwill

Goodwill represents the excess of the aggregate purchase price paid over the fair value of the net assets acquired in our business combinations. Goodwill is not amortized and is tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Events or changes in circumstances that could trigger an impairment review include a significant adverse change in business climate, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, significant changes in the manner of our use of the acquired assets or the strategy for our overall business, significant negative industry or economic trends, or significant underperformance relative to expected historical or projected future results of operations. The Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying value, including goodwill. If, after assessing the totality of events or circumstances, the Company determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, additional impairment testing is not required. The Company tests for goodwill impairment annually during its fourth quarter on 31 July.

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. Potentially dilutive options of 9,253,000 and warrants of 17,215,284 existed at 30 April 2022. This figure does not include 3,200,000 warrants issued to the Agent pursuant to the Loan Agreement, which warrants are held in escrow by us and are to be released to the Agent if we draw on the Delayed Draw Term Loan by 1 June 2022, or cancelled if we do not draw on the Delayed Draw Term Loan. Each warrant, if released to the Agent, will entitle the holder to acquire one share of common stock at an exercise price of US\$0.45 per share until 19 July 2025.

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 30 April 2022 and 31 July 2021, 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.

Body and Mind Inc.

**Notes to Condensed Consolidated Interim Financial Statements
For the Nine Months Ended 30 April 2022
(U.S. Dollars)**

3. Significant Accounting Policies – Continued

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. The exchange rates used to translate Canadian dollar to U.S. dollar was 0.7755 for monetary assets and liabilities and 0.7916 as an average rate for transactions occurred during the period ended 30 April 2022. 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.

The convertible loan receivable was valued using Level 3 inputs.

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

Body and Mind Inc.**Notes to Condensed Consolidated Interim Financial Statements
For the Nine Months Ended 30 April 2022
(U.S. Dollars)****3. Significant Accounting Policies – Continued****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, if any, 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

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 30 April 2022 and 31 July 2021:

	<u>As of 30 April 2022</u>	<u>As of 31 July 2021</u>
Financial assets at fair value		
Cash	\$ 3,706,894	\$ 7,374,194
Convertible loan receivable	1,893,252	1,648,816
Total financial assets at fair value	<u>\$ 5,600,146</u>	<u>\$ 9,023,010</u>

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 reduces its exposure to credit risk by maintaining its cash 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.

Body and Mind Inc.**Notes to Condensed Consolidated Interim Financial Statements
For the Nine Months Ended 30 April 2022
(U.S. Dollars)****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 had working capital of \$2,422,715 at 30 April 2022. The Company anticipates that current cashflow positive operations, cash on hand and working capital will ensure coverage for all expenses associated with current operations for at least the next 15 months from the issuance of these financial statements. Management believes that the Company has access to capital resources through potential public or private issuances of debt or equity securities to further contribute to the growth of the company.

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

	<u>30 April 2022</u>	<u>31 July 2021</u>
Work in progress	\$ 610,030	\$ 503,215
Finished goods	3,594,580	1,547,493
Consumables	115,294	885,448
Total	\$ 4,319,904	\$ 2,936,156

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. The convertible loan agreement can be extended by either party and the current agreement has a maturity date of 30 March 2023. Under no circumstances the maturity date of the convertible loan agreement shall extend beyond the expiration of the management agreement as described below.

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 management agreement has an expiration of 15 March 2024 and can be mutually extendable.

Body and Mind Inc.**Notes to Condensed Consolidated Interim Financial Statements****For the Nine Months Ended 30 April 2022***(U.S. Dollars)***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 \$1,893,252. 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. At 30 April 2022, the Company had advanced \$1,893,252 (31 July 2021 - \$1,648,816) and accrued interest income of \$18,000 (2021 - \$18,000) and \$54,000 (2021 - \$54,000) for the three and nine months ended 30 April 2022, respectively. As of 30 April 2022, total interest receivable was \$204,000 (31 July 2021 - \$150,000).

7. Loan receivable

The loan receivable at 30 April 2022 in the amount of \$239,834 (31 July 2021 – \$239,834) acquired from NMG LB (Note 11) is due from an arm's length party that is unsecured, non-interest bearing and due on demand.

8. Investment in NMG Ohio LLC

On 7 June 2018, the Company acquired a 30% interest in NMG Ohio, which had 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, or the remaining 70% interest for total cash payments of \$1,575,000 and issuance of 3,173,864 common shares of the Company.

On 17 September 2021, the Company closed the acquisition of the remaining 70% interest in NMG Ohio. The transaction included the transfer of a dispensary license for the Clubhouse Dispensary in Elyria, Ohio to our wholly owned subsidiary, NMG OH 1, which became effective on 4 September 2020 (see Acquisition of the Clubhouse Dispensary in Note 11). The transaction also included the final award of a production license which has now been transferred to our wholly owned subsidiary, NMG OH P1. As a result of the closing of this acquisition, the Company now directly owns 100% of NMG Ohio. The following table is a representation of amounts advanced, the majority of which is property and equipment, which has been reclassified as assets.

	<u>30 April 2022</u>	<u>31 July 2021</u>
Loan receivable (payable) to NMG Ohio		
Opening balance	\$ 891,279	\$ (466,495)
Advances provided to NMG Ohio	64,598	1,120,015
Foreign exchange	-	4,671
Transferred to NMG OH 1 and reclassified to respective net assets acquired	<u>(955,877)</u>	<u>233,088</u>
Loan receivable from NMG Ohio	<u>\$ -</u>	<u>\$ 891,279</u>

Body and Mind Inc.

**Notes to Condensed Consolidated Interim Financial Statements
For the Nine Months Ended 30 April 2022
(U.S. Dollars)**

9. Investment in and advances to GLDH

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 LB, GLDH and Airport Collective, Inc. to acquire 100% ownership interest in GLDH’s Long Beach, California dispensary. 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 and accrued interest; 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) (Note 16) 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. The Share Payment reduction is pending and, as a result, the related shares have not been released from escrow.
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. 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) (Note 16) 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) (Note 16) 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) (Note 16) 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.

Body and Mind Inc.

**Notes to Condensed Consolidated Interim Financial Statements
For the Nine Months Ended 30 April 2022
(U.S. Dollars)**

9. Investment in and advances to GLDH– Continued

3. a lease assignment (the “Lease Assignment Agreement”) on the San Diego operation between the Company’s 60%-owned subsidiary, NMG SD, Green Road, LLC, Show Grow San Diego, LLC (“SGSD”), and SJJR LLC. 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. USDS700,000, payable in common shares (1,031,725 common shares issued) (Note 16) at a share price equal to the maximum allowable discount pursuant to Canadian Securities Exchange policies, upon execution of the assignment agreement;
- ii. USDS783,765, payable in cash (paid), within 5 business days following execution of the assignment agreement (paid); and

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.

Additionally:

1. The Company is to provide a loan to GLDH in the amount of USDS200,000 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 USDS200,000 (\$50,000 paid in fiscal 2019 and additional \$150,000 paid during the year ended 31 July 2020);
3. The Company will forgive approximately USDS800,000 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.

Body and Mind Inc.

**Notes to Condensed Consolidated Interim Financial Statements
For the Nine Months Ended 30 April 2022**

(U.S. Dollars)

9. Investment in and advances to GLDH – Continued

The Company's total investment in GLDH was as follows:

Note receivable	\$	5,200,000
Share issuances		4,092,175
Share payment reduction		(793,416)
Interest income accrued on the Note		1,821,476
Advances for working capital		2,813,515
Lease Assignment Agreement payment		1,533,765
Amount transferred to Property and Equipment		(1,431,585)
Amount transferred to Brand and Licenses		(3,585,483)
Expensed during the year		(690,741)
Foreign exchange		(46,973)
Balance – 31 July 2020		8,912,733
Impairment loss		(534,165)
Acquisition of ShowGrow Long Beach dispensary (Note 11) – 28 August 2020	\$	<u>(8,378,568)</u>

Body and Mind Inc.

**Notes to Condensed Consolidated Interim Financial Statements
For the Nine Months Ended 30 April 2022
(U.S. Dollars)**

10. Property and Equipment

	Office Equipment	Cultivation Equipment	Production Equipment	Kitchen Equipment	Vehicles	Vault Equipment	Leasehold Improvements	Total
Cost:								
Balance, 31 July 2021	\$ 401,571	\$ 466,110	\$ 570,702	\$ 51,108	\$ 38,717	\$ 10,335	\$ 5,055,799	\$ 6,594,342
Additions	57,951	-	-	11,994	-	-	1,437,163	1,507,108
Balance, 30 April 2022	<u>459,522</u>	<u>466,110</u>	<u>570,702</u>	<u>63,102</u>	<u>38,717</u>	<u>10,335</u>	<u>6,492,962</u>	<u>8,101,450</u>
Accumulated Depreciation:								
Balance, 31 July 2021	49,765	250,544	210,166	21,722	24,328	1,790	1,142,237	1,700,552
Depreciation	45,687	51,094	58,827	6,101	4,137	1,104	542,291	709,241
Balance, 30 April 2022	<u>95,452</u>	<u>301,638</u>	<u>268,993</u>	<u>27,823</u>	<u>28,465</u>	<u>2,894</u>	<u>1,684,528</u>	<u>2,409,793</u>
Net Book Value:								
At 31 July 2021	<u>351,806</u>	<u>215,566</u>	<u>360,536</u>	<u>29,386</u>	<u>14,389</u>	<u>8,545</u>	<u>3,913,562</u>	<u>4,893,790</u>
At 30 April 2022	<u>\$ 364,070</u>	<u>\$ 164,472</u>	<u>\$ 301,709</u>	<u>\$ 35,279</u>	<u>\$ 10,252</u>	<u>\$ 7,441</u>	<u>\$ 4,808,434</u>	<u>\$ 5,691,657</u>

For the nine months ended 30 April 2022, a total depreciation of \$152,317 (2021 - \$56,934) was included in General and Administrative Expenses and a total depreciation of \$556,924 (2021 - \$322,109) was included in Cost of Sales.

11. Business Acquisitions

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. The acquisition was accounted for as a business combination in accordance with ASC 805, Business Combinations. The acquisition of The Clubhouse dispensary allows the Company to expand into the State of Ohio. This acquisition was the first part of the acquisition of the remaining 70% interest in NMG Ohio. The remaining production licenses were transferred to NMG OH P1 in the asset acquisition (Note 8) resulting in the completion of the acquisition of NMG Ohio. The following table summarizes the fair value of the assets acquired and the liabilities assumed, which were recorded as of the acquisition date, as well as the aggregate consideration for the acquisition of NMG OH 1 made by the Company:

Purchase consideration (Note 8)	\$ 3,814,788
Assets acquired:	
Cash	257,462
Amounts receivable	510,367
Prepaid expenses	4,965
Inventory	178,898
Property and equipment	763,951
Licenses and customer relationships	2,710,000
Liabilities assumed:	
Trade payable and accrued liabilities	443,589
Net assets acquired	3,982,054
Bargain purchase	(167,266)
TOTAL	\$ 3,814,788

Body and Mind Inc.**Notes to Condensed Consolidated Interim Financial Statements
For the Nine Months Ended 30 April 2022
(U.S. Dollars)****11. Business Acquisitions – Continued****ShowGrow Long Beach dispensary**

On 28 August 2020, NMG LB received all approvals and final license transfer for the ShowGrow Long Beach dispensary (as further discussed in Note 9). The acquisition was accounted for as a business combination in accordance with ASC 805, Business Combinations. The acquisition of ShowGrow Long Beach dispensary allows the Company to enter the California market. The following table summarizes the fair value of the assets acquired and the liabilities assumed, which were recorded as of the acquisition date, as well as the aggregate consideration for the acquisition of NMG LB made by the Company:

Purchase consideration (Note 9)	\$ 8,378,568
Assets acquired:	
Cash	65,340
Prepaid expenses	15,264
Inventory	177,930
Property and equipment	5,402
Loan receivable (Note 7)	239,834
Liabilities assumed:	
Trade payable and accrued liabilities	(732,262)
Income taxes payable	(423,931)
Loans payable (Note 14)	(12,910)
Net assets acquired	(664,613)
Brand and licenses	6,510,000
Goodwill	2,533,181
TOTAL	\$ 8,378,568

Canopy Monterey Bay, LLC

On November 30, 2021, the Company entered into two definitive agreements with Canopy Monterey Bay, LLC (“Canopy”) and the membership interest owners (the “Sellers”) of Canopy to acquire an aggregate of 100% of Canopy, which owns a retail dispensary in the limited license jurisdiction of Seaside, California, to expand retail operation.

The first purchase agreement (“PA #1”) between DEP and Canopy and all of the Sellers provides for the assignment of 80% of the membership interests of Canopy to DEP in exchange for a purchase price of \$4,800,000 comprised of \$2,500,000 in cash (the “Cash Purchase Price”) and a secured promissory note in the amount of \$2,300,000 bearing interest at a rate of 10% per annum compounded annually and having a maturity date of five years from the effective date of PA #1. Interest is payable for the first 6 months with the principal and accrued interest due at maturity. There are no prepayment penalties. The Cash Purchase Price is to be paid into escrow pursuant to an escrow agreement between the parties to PA #1 and Secured Trust Escrow, which Cash Purchase Price is to be released to the Sellers upon the receipt of city and state approval and completion of the audited annual financial statements and unaudited interim reviewed financial statements (collectively, the “Financial Statements”) of Canopy, or returned to DEP in the event of the denial of city or state approval or failure to complete the Financial Statements and the agreement is terminated, in which case the 80% membership interests will be transferred back to the Sellers and the promissory note will automatically be terminated. As of the date hereof, the city and state approvals have been received and the formal closing of the purchase of the 80% of the membership interests in Canopy is expected to take place on the date following the completion of the Financial Statements.

Body and Mind Inc.

**Notes to Condensed Consolidated Interim Financial Statements
For the Nine Months Ended 30 April 2022
(U.S. Dollars)**

11. Business Acquisitions – Continued

Canopy Monterey Bay, LLC – Continued

The second purchase agreement (“PA #2”) between DEP and the one continuing Seller provides for the assignment of the remaining 20% of the membership interests of Canopy to DEP following the receipt of the city and state approval and completion of the Financial Statements under PA #1 in exchange for \$1,000,000 to be paid in either shares of common stock of the Company (the “**Consideration Shares**”) or in cash at DEP’s sole option if such payment takes place within six (6) months following the execution of PA #1. If DEP elects to pay the purchase price in Consideration Shares, the amount of Consideration Shares shall be determined based on the 10 day volume weighted average price (“**VWAP**”) ending on 30 November 2021, which is US\$0.3665 per share for a total of 2,728,156 shares (issued) (Note 16). In the event that six (6) months following the execution of PA #1, the value of the Consideration Shares have decreased such that total value of the Consideration Shares is less than ninety percent (90%) of its value, DEP agrees to cause the Company to issue an additional \$100,000 worth of shares of common stock of the Company (the “**Additional Shares**”) to be issued to the one continuing Seller based on the ten day VWAP calculated as of six (6) months following the closing of PA #1. PA #2 contains a working capital adjustment provision, which provides that if there is a working capital deficiency as of the closing date of PA #1, then the purchase price under PA #2 shall be reduced by the amount of the deficiency, and if there is a working capital surplus as of the closing date of PA #1, then the purchase price under PA #2 shall be increased by the amount of the surplus.

On or around December 1, 2021, 80% of the membership interests of Canopy were transferred to DEP for purposes of applying for city and state approvals of the change in ownership of Canopy, however, the purchase price consideration of (i) \$2.5 million in cash, and (ii) a promissory note in the amount of \$2.3 million to be paid by DEP, were placed in escrow and not to be released to the sellers of the 80% membership interests in Canopy until the city and state approvals have been received and the audited annual financial statements and unaudited reviewed interim financial statements (collectively, the “Financial Statements”) of Canopy are completed. If the city or state approvals are not received, or the Financial Statements of Canopy are not completed, then the Buyer may terminate the membership interest purchase agreement requiring the membership interests in Canopy to be transferred back to the sellers and the escrow agent to deliver back to DEP the cash consideration and the promissory note shall automatically be terminated. As of the date hereof, the city and state approvals have been received and the formal closing of the purchase of the 80% membership interests in Canopy will take place on the date following the completion of the Financial Statements.

The acquisition was accounted for as a business combination in accordance with ASC 805, Business Combinations. For accounting purposes, the acquisition date is the date that the Company obtained full control over the operations, although not all conditions for closing the acquisition had occurred as of 1 December 2021. The purchase accounting process has not been completed primarily because the valuation of acquired assets has not been finalized. We expect to complete the purchase accounting as soon as practicable but no later than one year from the acquisition date.

Body and Mind Inc.**Notes to Condensed Consolidated Interim Financial Statements
For the Nine Months Ended 30 April 2022
(U.S. Dollars)****11. Business Acquisitions – Continued**

The following table summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed, which were recorded as of the acquisition date, as well as the aggregate consideration for the acquisition of Canopy made by the Company:

Purchase consideration	
Cash	\$ 2,500,000
Promissory note	2,300,000
Shares of common stock (Note 16)	939,544
Total consideration—preliminary	5,739,544
Assets acquired:	
Cash—preliminary	378,503
Inventory—preliminary	630,039
Liabilities assumed:	
Trade payable and accrued liabilities—preliminary	(317,594)
Net assets acquired—preliminary	690,948
Brand and licenses—preliminary	4,270,000
Goodwill—preliminary	778,596
TOTAL	\$ 5,739,544

Pro Forma

The following table summarizes the results of operations of The Clubhouse Dispensary and NMG LB since the acquisition dates included in the Company's consolidated results of operations for the nine months ended 30 April 2022:

	The Clubhouse Dispensary	NMGLB
Revenue	\$ 6,103,097	\$ 4,213,881
Net income	1,378,818	57,837

The following table summarizes our consolidated results of operations for the nine months ended 30 April 2021 as though the acquisitions of The Clubhouse Dispensary and NMG LB had occurred on 1 August 2020:

	Nine months ended 30 April 2021	
	As Reported	Pro Forma (unaudited)
Revenue	\$ 18,765,785	\$ 19,843,563
Net income (loss)	(2,177,189)	259,929

Pro forma financial information related to Canopy was deemed impractical to disclose as the final consideration and the allocation of intangible assets is still preliminary.

Body and Mind Inc.

**Notes to Condensed Consolidated Interim Financial Statements
For the Nine Months Ended 30 April 2022
(U.S. Dollars)**

11. Business Acquisition – Continued

The unaudited pro forma information set forth above is for informational purposes only and include all adjustments necessary for the fair presentation, in all material respects, of the Company's combined operations including The Clubhouse Dispensary and NMG LB as if the business combinations occurred on 1 August 2020. No adjustments have been made to reflect potential cost savings that may occur subsequent to completion of the transactions. The unaudited pro forma financial information is not intended to reflect the results of operations of the Company which would have actually resulted had the proposed transaction been effected on the date indicated above. Further, the unaudited pro forma financial information is not necessarily indicative of the results of operations that may be obtained in the future. The actual pro forma adjustments will depend on a number of factors, and could result in a change to the unaudited pro forma financial information.

12. Intangible Assets, Net

	Gross carrying amount	Weighted average life (years)	As of 30 April 2022	
			Accumulated amortization	Net carrying amount
Amortizable intangible assets:				
Brand	\$ 517,000	-	\$ -	\$ 517,000
Licenses	24,718,508	10.0	(2,231,921)	22,486,587
Customer relationships	90,000	5.0	(29,721)	60,279
Total intangible assets	\$ 25,325,508		\$ (2,261,642)	\$ 23,063,866

	Gross carrying amount	Weighted average life (years)	As of 31 July 2021	
			Accumulated amortization	Net carrying amount
Amortizable intangible assets:				
Brand	\$ 247,000	-	\$ -	\$ 247,000
Licenses	20,718,508	10.0	(1,184,175)	19,534,333
Customer relationships	90,000	5.0	(16,265)	73,735
Total intangible assets	\$ 21,055,508		\$ (1,200,440)	\$ 19,855,068

Amortization expense for intangible assets was \$389,879 and \$292,398 for the three months ended 30 April 2022 and 2021, respectively and \$1,061,201 and \$775,692 for the nine months ended 30 April 2022 and 2021, respectively. Included in the licenses is \$7,925,000 of indefinite lived assets.

The expected amortization of the intangible assets, as of 30 April 2022, for each of the next five years and thereafter is as follows:

2022 (remaining)	\$ 403,021
2023	1,598,943
2024	1,603,324
2025	1,598,943
2026	1,582,678
Thereafter	7,834,958
	\$ 14,621,867

Body and Mind Inc.**Notes to Condensed Consolidated Interim Financial Statements
For the Nine Months Ended 30 April 2022***(U.S. Dollars)***13. 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 nine months ended 30 April 2022 and 2021 are as follows:

	For the three months ended 30 April 2022	For the three months ended 30 April 2021	For the nine months ended 30 April 2022	For the nine months ended 30 April 2021
A company controlled by the President, Chief Executive Officer and a director Management fees	\$ 55,429	\$ 40,020	\$ 228,425	\$ 114,985
A company controlled by the Chief Financial Officer and a director Management fees	23,895	25,512	102,473	71,514
A company controlled by a former director and former President of NMG Management fees	-	10,000	-	65,000
A company controlled by the Corporate Secretary Management fees	18,754	19,144	56,217	53,933
	<u>\$ 98,078</u>	<u>\$ 84,676</u>	<u>\$ 387,115</u>	<u>\$ 305,432</u>

On November 12, 2021 the independent members of the Compensation Committee and Board of Directors of Body and Mind approved an Executive Bonus Program for FY2022 for the CEO, COO and CFO. The Board of Directors approved an incentive-based cash bonus program for CEO's consulting company and for the COO of up to a maximum of \$200,000 per CEO or COO based on the consolidated revenue performance of the Company for each quarter of the fiscal year ended July 31, 2022 compared to the prior quarter. Each of the CEO and COO could earn (i) \$5,000 in cash for each 1% revenue growth over the prior quarter, and/or (ii) \$10,000 in cash for each 1% Adjusted EBITDA growth over the prior quarter, all subject to a \$50,000 maximum amount per executive that could be earned for each quarter of the fiscal year ended July 31, 2022. In addition, the Compensation Committee and the Board of Directors approved that they will consider a further discretionary cash bonus to the CEO's consulting company and the COO at the fiscal year ended July 31, 2022, based on performance metrics of the Company over the course of the fiscal year ended July 31, 2022.

Furthermore, on November 12, 2021, the independent members of Compensation Committee and the Board of Directors approved a cash bonus to be paid to the CFO's consulting company up to a maximum of \$40,000 based on the timing of the filing of Company's periodic reports for the fiscal year ended July 31, 2022. The bonus consists of a quarterly bonus of \$10,000 per quarter based on filing of the Company's Form 10-Q's and 10-K by the filing deadline, not including any extensions pursuant to Rule 12b-25 under the Exchange Act.

Body and Mind Inc.

**Notes to Condensed Consolidated Interim Financial Statements
For the Nine Months Ended 30 April 2022
(U.S. Dollars)**

13. Related Party Balances and Transactions – Continued

On November 30, 2021, the independent members of Compensation Committee and Board of Directors of Body and Mind approved an Executive Bonus for FY2021 for the CEO, COO. The Compensation Committee and Board of Directors approved an aggregate of 448,000 stock options (the “Options”) in accordance with the Company’s stock option plan at an exercise price of CAD\$0.44 per share for a term of five years expiring on November 30, 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.

Amounts owing to related parties at 30 April 2022 and 31 July 2021 are as follows:

- a) As of 30 April 2022, the Company owed \$5,246 (31 July 2021 - \$26,841) to the Chief Executive Officer of the Company and a company controlled by him.
- b) As of 30 April 2022, the Company owed \$10,744 (31 July 2021 - \$18,914) to the Chief Financial Officer of the Company and a company controlled by him.
- c) As of 30 April 2022, the Company owed \$6,299 (31 July 2021 - \$6,319) to the Corporate Secretary of the Company and a company controlled by him.

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

14. Loans Payable

On 19 July 2021, the Company entered into and closed a loan agreement (the “Loan Agreement”) with FG Agency Lending LLC (the “Agent”) and Bomind Holdings LLC (the “Lender”). Upon entering into the Loan Agreement, the Lender provided the initial term loan (the “Initial Term Loan”) in the face amount of \$6,666,667 of which \$6,000,000 was advanced to the Company with the 10% representing an origination discount as consideration for the use or forbearance of money. The Company may draw upon the remaining face amount of \$4,444,444 (the “Delayed Draw Term Loan”) upon providing a 30-day request to the Agent by 1 June 2022 (as extended on 1 December 2021), whereby \$4,000,000 will be advanced to the Company after applying the 10% origination discount. The Initial Term Loan and the Delayed Draw Term Loan mature on 19 July 2025 and bear interest at a rate of 13% per annum payable on the first day of each month hereafter.

Pursuant to the Loan Agreement, the Company issued an aggregate of 8,000,000 common stock purchase warrants (each, a “Warrant”) to the Agent of which (i) 4,800,000 Warrants will entitle the holder to acquire shares of common stock (each, a “Warrant Share”) at an exercise price of \$0.40 per Warrant Share until July 19, 2025, and (ii) 3,200,000 Warrants will be held in escrow by us and released to the Agent at the time the Company draws on the Delayed Draw Term Loan, or cancelled if we do not draw on the Delayed Draw Term Loan, which will entitle the holder to acquire a Warrant Share at an exercise price of \$0.45 per Warrant Share until July 19, 2025.

Subsequent to 30 April 2022, the Company amended the Loan Agreement (Note 21).

Body and Mind Inc.**Notes to Condensed Consolidated Interim Financial Statements
For the Nine Months Ended 30 April 2022
(U.S. Dollars)****14. Loans Payable– Continued**

The 4,800,000 Warrants were valued at \$1,037,146 using the Black Scholes Option Pricing Model using the following assumptions:

Expected life of the options	4.00 years
Expected volatility	139%
Expected dividend yield	0%
Risk-free interest rate	0.55%

The Company also paid agent fee, legal fees and other fees in the amount of \$175,758.

The Initial Term Loan is secured by certain of the Company's assets, equity interest in subsidiaries and various agreements, under the Security Agreement, the Pledge Agreement and the Omnibus Collateral Assignment.

During the nine months ended 30 April 2022, the Company recorded \$356,732 related to the amortization of debt discount and \$657,222 related to the interest expense. As of 30 April 2022, the remaining debt discount was \$1,511,063.

On 30 November 2021, the Company completed PA #1 related to the Company's acquisition of initial 80% interest in Canopy (Note 11). In connection with PA #1, DEP entered into secured promissory note (the "Promissory Note") promising to pay \$2,300,000 to the Sellers. The Promissory Note was delivered as partial consideration for DEP's agreement to purchase 80% of the issued and outstanding membership interests (the "Purchased Interests") of Canopy from the Sellers.

The Promissory Note was signed on 30 November 2021, but does not become effective by its terms unless and until the state regulators and local regulators approve DEP as the owner of the Purchased Interests (the date such approval is received being the "Effective Date"). In the event the MIPA #1 for DEP to purchase the Purchased Interests is terminated for any reason, the Promissory Note automatically terminates.

15. Operating Leases

- 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 now increased to \$13,663 plus common area expenses. The guaranteed minimum monthly rent is subject to a 2% increase on each anniversary date of the lease. In April 2022, the Company signed a five-year lease extension up to November 2032. The lease payments are subject to a 3% increase annually from November 2027.
- 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. At 30 April 2022, it is expected that the extension option will be exercised by the Company. The monthly rent now increased to \$6,478.
- 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. At 30 April 2022, it is expected that the first option to extend will be exercised by the Company. The monthly rent is \$15,450 per month increasing by 3% every year until 1 December 2022. The rent is now \$16,883. 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.

Body and Mind Inc.

**Notes to Condensed Consolidated Interim Financial Statements
For the Nine Months Ended 30 April 2022
(U.S. Dollars)**

15. Lease Liabilities—Continued

- d) On August 2, 2018, NMG Ohio, LLC entered into a three-year lease agreement for the property located at 709 Sugar Lane, Elyria, Ohio 44035, containing approximately 4,100 square feet. The Company has three options to extend the lease and each option is for three years. At 30 April 2022, it is expected that the Company will exercise the first and second options to extend. The rent is \$4,200 per month increasing by 5% starting on 1 July 2021 and 1 July 2024.
- e) 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 \$7,682 per month increasing by 3% every year until 10 January 2022. In March 2022, the Company entered into an amendment to the lease whereby the Company was granted two five-year extension options up to January 2037 subject to 5% increase in monthly rent each year. At 30 April 2022, it is expected that the Company will exercise the first option to extend. As part of the amendment, the Company signed an adjacent unit for \$1,632 per month increasing by 3% every year until 10 January 2027. The adjacent unit can also be extended for two five-year options up to January 2037, subject to 3% annual increase in rent.
- f) On 14 September 2021, the Company assumed a three-year lease dated 1 October 2019 for the property located at 719 Sugar Lane, Elyria, Ohio (Note 8). The Company has three options to extend the lease and each option is for three years. At 30 April 2022, it is expected that the Company will exercise the first and second options to extend. The rent is \$4,000 per month.
- g) On 23 April 2021, the Company's subsidiary NMG MI 1 entered into a five-year lease for the property located at 885 E. Apple Ave., Muskegon, Michigan. The Company has three options to extend the lease and each option is for five years. At 30 April 2022, it is expected that the Company will exercise the first option to extend. The rent is \$5,000 per month increasing by 2% every year. The lease is contingent upon NMG MI 1 receiving one or more commercial marihuana municipal licenses from the City of Muskegon. The license(s) would allow NMG MI 1 to operate a dispensary for the distribution of adult-use and/or medical marihuana and all activities permissible under the Michigan and Muskegon Marihuana Laws. The Company took possession of the property effective 1 October 2021.

Upon NMG MI 1 receiving one or more licenses, NMG MI 1 agrees to cause the Company to issue common shares having a value of up to \$150,000 to Kendal, with portions of the common shares to be issued upon the achievement of certain milestones as follows:

- i. 25% of the common shares to be issued within 30 days following NMG MI 1's receipt of a local commercial medical marihuana retail license from the city of Muskegon, MI and a state commercial medical marihuana retail license from the state of Michigan;
- ii. 25% of the common shares to be issued within 30 days following NMG MI 1 passing final inspections at the Leased premises regarding the commercial medical marihuana retail license and receiving its local operating permit allowing NMG MI 1 to begin medical marihuana operations at the premises;
- iii. 25% of the common shares to be issued within 30 days following NMG MI 1's receipt of a local commercial adult-use marihuana retail license from the city of Muskegon, MI and a state commercial adult-use marihuana retail license from the state of Michigan;
- iv. 25% of the common shares to be issued within 30 days following NMG MI 1 passing final inspections at the Leased premises regarding the commercial adult-use marihuana retail license and receiving its local operating permit allowing NMG MI 1 to begin adult-use marihuana operations at the premises;

Notes to Condensed Consolidated Interim Financial Statements
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15. Operating Leases – Continued

During the nine months ended 30 April 2022, the Company accrued \$150,000 for milestones above and were included in the related operating lease liability. On 21 September 2021, the Company issued the necessary common shares to settle \$75,000 of this liability (Note 16). The remaining \$75,000 remains outstanding at 30 April 2022.

On 3 March 2022, the Company's subsidiary, NMG MI 1, Inc. entered into an Amendment No. 1 to Lease Agreement with Kendal Properties, LLC with respect to the premises located at 885 E. Apple Ave., Muskegon, Michigan, whereby the parties amended the original Lease Agreement to provide that two of the milestone payments that were to be made in the form of the Company's shares are to now be made in the form of cash

- h) On 10 February 2020, the Company's subsidiary NMG MI C1 executed a lease agreement with 254 River Street LLC ("River Street") to lease commercial space located at 254 River Street, Manistee, MI, 49660. The term of the lease is for a period of 60 months and the lease includes rent abatement and reduced rent periods during construction and start up. Final rent is approximately US\$22,500 per month and is contingent upon NMG MI C1 receiving one or more commercial marihuana municipal licenses from the City of Manistee. The license(s) would allow NMG MI C1 to operate a cultivation facility for adult use and/or medical marihuana and all activities permissible under the Michigan and Manistee Marihuana Laws.

Upon NMG MI C1 receiving one or more Licenses, NMG MI C1 agrees to cause the Company to issue common shares having a value of up to \$600,000 to River Street, with portions of the Common Shares to be issued upon the achievement of certain milestones as follows:

- i. US\$200,000 of common shares to be issued within 30 days of NMG MI C1 receiving local and state commercial marihuana cultivation licenses;
- ii. US\$200,000 of common shares to be issued within 30 days of passing final inspections at the premises with respect to cultivation and receiving local operating permit to begin commercial marihuana cultivation operations at the premises;
- iii. US\$100,000 of common shares to be issued within 30 days of NMG MI C1 receiving local and state commercial marihuana retail licenses; and
- iv. US\$100,000 of common shares to be issued within 30 days of passing final inspections at the premises with respect to retail operations and receiving local operating permit to begin commercial marihuana retail operations at the premises.

At 31 July 2021, the Company accrued \$200,000 for milestone (i) above. On 21 September 2021, the Company issued the necessary common shares to settle this \$200,000 liability (Note 16). During the nine months ended 30 April 2022, the Company accrued an additional \$200,000 and were included in the related operating lease liability for milestone (ii) above. Milestones (iii) and (iv) have not yet been achieved at of 30 April 2022.

- i) On 10 February 2020, the Company's subsidiary NMG MI P1 executed a lease agreement with 254 River Street LLC ("River Street") to lease commercial space located at 254 River Street, Manistee, MI, 49660. The term of the lease is for a period of 60 months and the lease includes rent abatement and reduced rent periods during construction and start up. Final rent is approximately US\$7,500 per month, which increases 2% annually, and is contingent upon NMG MI P1 receiving one or more commercial marihuana municipal licenses from the City of Manistee. The license(s) would allow NMG MI P1 to operate a production facility for adult-use and/or medical marihuana and all activities permissible under the Michigan and Manistee Marihuana Laws.

Body and Mind Inc.**Notes to Condensed Consolidated Interim Financial Statements
For the Nine Months Ended 30 April 2022
(U.S. Dollars)****15. Operating Leases—Continued**

Upon NMG MI P1 receiving one or more Licenses, NMG MI P1 agrees to cause the Company to issue common shares having a value of up to \$400,000 to River Street, with portions of the Common Shares to be issued upon the achievement of certain milestones as follows:

- i. US\$200,000 of common shares to be issued within 30 days of NMG MI P1 receiving local and state commercial marihuana processing licenses; and
- ii. US\$200,000 of common shares to be issued within 30 days of passing final inspections at the premises with respect to processing and receiving local operating permit to begin commercial marihuana processing operations at the premises.

At 31 July 2021, the Company accrued \$200,000 for milestone (i) above. On 21 September 2021, the Company issued the necessary common shares to settle this \$200,000 liability (Note 16). During the nine months ended 30 April 2022, the Company accrued an additional \$200,000 and were included in the related operating lease liability for milestone (ii) above, which has not yet been achieved as of 30 April 2022.

During the nine months ended 30 April 2022, a total deposit \$470,546 for prior year shares were reclassified and incorporated into the right-of-use asset and lease liabilities related to the Company's leases for the River Street.

The value of the common shares will be calculated based on the lesser of: (1) the closing market price on the respective milestone achievement date and (2) a ten percent discount to the twenty-day volume weighted average price for the twenty days immediately prior to the respective milestone achievement date(s).

Leases for 254 River St., Manistee, Michigan 49660 and 885 E. Apple Ave., Muskegon, Michigan 49442 were subject to the Company subsidiaries receiving approval by the State of Michigan and could be cancelled by the Company if licences were not awarded. The licenses for NMG MI P1 and NMG MI C1 were issued on 19 July 2021 and license for NMG MI 1 was issued on 3 August 2021.

- j) On 1 January 2020, the Company's subsidiary Canopy entered into a three-and-a-half-year lease agreement for the property located in Seaside, California. The rent is now \$9,000 per month until June 2023.

During the nine months ended 30 April 2022, the Company recorded a total lease expense of \$709,561 related to the accretion of lease liabilities and the amortization of right-of-use assets of which \$600,178 was included in General and Administrative Expenses and \$109,383 was included in Cost of Sales for the nine months ended 30 April 2022.

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	\$	583,427
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$	3,896,652

Weighted-average remaining lease term – operating leases	7.88 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.

Body and Mind Inc.**Notes to Condensed Consolidated Interim Financial Statements
For the Nine Months Ended 30 April 2022
(U.S. Dollars)****15. Operating Leases—Continued**

Maturities of lease liabilities were as follows:

Year Ending 31 July	Operating Leases
2022 (remaining)	\$ 275,399
2023	1,542,189
2024	1,101,214
2025	1,157,278
2026 and thereafter	5,162,344
Total lease payments	\$ 9,241,424
Less imputed interest	(3,270,643)
Total	\$ 5,970,781
Less current portion	(886,202)
Long term portion	\$ 5,084,579

The Company has entered into two lease agreements for operations with terms similar to current lease agreements that are not yet effective, as certain conditions required have not yet occurred. The Company paid a deposit of \$107,290 during the period ended 30 April 2022 recorded in Deposits on the balance sheet.

16. Capital Stock

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

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.

On 21 September 2021, the Company issued 238,929 common shares to one entity based on the terms and conditions of the certain lease agreement for the Muskegon, Michigan premises and issued an aggregate of 1,304,601 common shares to another entity based on the terms and conditions of the two lease agreements for the Manistee, Michigan premises (Notes 15 and 18).

Pursuant to the ShowGrow Long Beach Purchase Agreement (Note 9), the Company issued 2,681,006 common shares in escrow. 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 (Notes 11 and 19).

Pursuant to the PA #2 for the acquisition of Canopy's membership interest, the Company issued 2,728,156 common shares on 3 December 2021 in escrow (Notes 11 and 18).

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. Under this plan, the Company may issue up to 11,334,946 stock options. At 30 April 2022, the Company had 9,253,000 stock options issued and outstanding.

The Company recorded total stock-based compensation expense of \$91,383 (2021 - \$244,276) and \$386,327 (2021 - \$733,098) for the three and nine months ended 30 April 2022 and 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.

Body and Mind Inc.

**Notes to Condensed Consolidated Interim Financial Statements
For the Nine Months Ended 30 April 2022
(U.S. Dollars)**

16. Capital Stock – Continued

	Number of options	Weighted average exercise price	Weighted average contractual term remaining (in years)	Aggregate intrinsic value
Outstanding at 31 July 2021	9,855,000	CAD\$0.70	2.30	CAD\$ -
Granted	648,000	CAD\$0.44	3.97	CAD\$ -
Cancelled	(1,250,000)	CAD\$0.70	0.92	CAD\$ -
Outstanding at 30 April 2022	9,253,000	CAD\$0.69	2.30	CAD\$ -
Vested and fully exercisable at 30 April 2022	8,180,000	CAD\$0.70	2.05	CAD\$ -

On 30 November 2021, the Company granted 448,000 stock options to two officers and directors of the Company with an exercise price of CAD\$0.44 per share expiring on 30 November 2026. These stock options vest equally every 6 months for a period of 24 months.

On 30 November 2021, the Company granted 200,000 stock options to a consultant of the Company with an exercise price of CAD\$0.44 per share expiring on 30 November 2024 (Note 19). These stock options vest immediately.

Share Purchase Warrants

As of 30 April 2022 and 31 July 2021, 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
4,800,000	USD\$0.40	19 July 2025
17,215,284(1)		

(1) This figure does not include 3,200,000 warrants issued to the Agent pursuant to the Loan Agreement, which warrants are held in escrow by us and are to be released to the Agent if we draw on the Delayed Draw Term Loan by 1 June 2022 (extended, see Note 21), or cancelled if we do not draw on the Delayed Draw Term Loan. Each warrant, if released to the Agent, will entitle the holder to acquire one share of common stock at an exercise price of US\$0.45 per share until July 19, 2025

Body and Mind Inc.

**Notes to Condensed Consolidated Interim Financial Statements
For the Nine Months Ended 30 April 2022**

(U.S. Dollars)

17. Segmented Information and Major Customers

In its operation of the business, management, including our chief operating decision maker, who is also our Chief Executive Officer, reviews certain financial information, including segmented internal profit and loss statements prepared on a basis not consistent with GAAP. During the periods presented, the Company reported its financial performance based on the following segments:

- Wholesale;
- Retail; and
- All others

Revenue and costs are generally directly attributed to our segments. However, due to the integrated structure of our business, certain costs incurred by one segment may benefit other segments. In addition, certain costs incurred at a corporate level are not allocated to our segments.

Segment revenue and net loss were as follows during the nine months ended 30 April 2022:

	30 April 2022
Revenue	
Wholesale	\$ 4,303,780
Retail	19,190,236
Total	<u>\$ 23,494,016</u>
Net income (loss) before income taxes	
Wholesale	\$ 208,574
Retail	1,932,547
All others	(5,063,888)
Total	<u>\$ (2,922,766)</u>

During the nine months ended 30 April 2022, the Company had no major customer over 10% of its revenues.

Body and Mind Inc.**Notes to Condensed Consolidated Interim Financial Statements
For the Nine Months Ended 30 April 2022***(U.S. Dollars)***18. Supplemental Disclosures with Respect to Cash Flows**

	Nine Months Ended 30 April	
	2022	2021
Cash paid during the period for interest	\$ 657,222	\$ -
Cash paid during the period for income taxes	\$ 1,075	\$ 49,146

Pursuant to certain licensing milestones being achieved under a lease agreement for a premises in Muskegon, Michigan and certain licensing and operational milestones being achieved under two lease agreements for a premises in Manistee, Michigan, on 21 September 2021, the Company issued 238,929 shares of common stock to one entity based on the terms and conditions of the certain lease agreement for the Muskegon, Michigan premises and issued an aggregate of 1,304,601 shares of common stock to another entity based on the terms and conditions of the two lease agreements for the Manistee, Michigan premises (Notes 15 and 16).

On the assumption of an additional leases in Ohio and Michigan and lease amendments in Nevada and Long Beach (Note 15), the Company recognized right-of-use assets, and a corresponding increase in lease liabilities, in the amount of \$3,896,652 which represented the present value of future lease payments using a discount rate of 12% per annum.

Pursuant to the PA #2 for the acquisition of Canopy's membership interest, the Company issued 2,728,156 common shares in escrow (Notes 11 and 16).

19. Commitments

In connection with the strategic investment agreement with Australis dated 30 October 2018 (the "Investment Agreement") (Note 20), 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.

In September 2021, Australis sold 9,900,000 of our restricted common shares in a private transaction which resulted in Australis' beneficial ownership dropping below 10% of our outstanding common shares. As a result of Australis' beneficial ownership falling below 10%, the Investment Agreement was terminated and monthly commercial advisory and consulting fees paid from the Company to Australis were terminated along with Australis' entitlement to nominate a director to the board of directors of our Company.

During the nine months ended 30 April 2022, pursuant to the ShowGrow Long Beach Purchase Agreement (Note 9), the Company issued 2,681,006 common shares in escrow. 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. Any final settlement that is different than liabilities' balances currently recorded will be allocated to other income or expense.

Body and Mind Inc.

**Notes to Condensed Consolidated Interim Financial Statements
For the Nine Months Ended 30 April 2022
(U.S. Dollars)**

19. Commitments – Continued

During the nine months ended 30 April 2022, the Company signed a consulting agreement with Skanderbeg Capital Advisors Inc. to provide capital market advisory services, including introductions to prospective investors and merger and acquisition transactions and advising on capital structuring and other financial aspects of financings or strategic transactions. Skanderbeg Capital Advisors is a boutique merchant bank and capital advisor firm, which is focused on identifying companies with highly prospective business opportunities in the natural resource, technology, biotech and special situations sectors. The Company will pay a monthly fee of CAD\$7,500 and a one-time payment of 200,000 options priced at CAD\$0.44 (Note 16).

20. Other Agreements

On 6 August 2021, the Company entered into management agreements with each of NMG IL 1, LLC (“NMG IL 1”) and NMG IL 4, LLC (“NMG IL 4”) along with an option to indirectly acquire all of the membership interests in each of NMG IL 1 and NMG IL 4 pursuant to a convertible credit facility between our subsidiary, DEP and each of NMG IL 1 and NMG IL 4, and membership interest purchase agreements between DEP and the members of NMG IL 1 and NMG IL 4, subject to obtaining all required local and state regulatory authorization. Each of NMG IL 1 and NMG IL 4 have been identified in the Illinois Department of Financial and Professional Regulation (IDFPR) results of the Social Equity Justice Involved Lottery for 55 Conditional Adult-Use Cannabis Dispensary Licenses (Conditional Licenses) across the state. The certified results are from a lottery with a pool of applicants who scored 85 % or greater in their applications. NMG IL 1 and NMG IL 4 were drawn in BLS Region #5 (Chicago-Naperville-Elgin) where 36 conditional licenses are available. The applications are not tied to specified locations.

21. Subsequent Events

The Company signed a lease agreement, effective 1 June 2022, for an office space located in Henderson, Nevada. The lease is for 3 years for \$4,482 per month.

On 15 June 2022, the Company entered into a second amendment to the Loan Agreement (“Amendment No. 2 to Loan Agreement”) (Note 14) to extend the maturity date by one year to 19 July 2026. Additionally, Amendment No. 2 to Loan Agreement allows the outside date for the Company to draw on the delayed draw term loan of US\$ 4.44 million to be extended from June 1, 2022 to March 31, 2023, whereby US\$4 million in funds will be advanced to the Company. The ability of the Company to draw on the delayed draw term loan is subject to compliance with certain provisions in Loan Agreement including provision of a satisfactory budget approved at the sole discretion of the Lender. The Amendment No. 2 to Loan Agreement increases the interest rate on the advanced funds from 13% to 15% per annum, which additional 2% interest may be paid in kind, with the interest being payable on the first day of each month. Amendment No. 2 to Loan Agreement provides for an exit fee equal to 1.5% of the principal balance, which is due and payable upon any payment, in part or in full, of the initial term loan and the delayed draw term loan. As partial consideration for Amendment No. 2 to Loan Agreement, the Company has issued 1,000,000 common stock purchase warrants (each, a “Warrant”) to the Lender. Each Warrant entitles the holder to acquire one share of common stock (each, a “Warrant Share”) at an exercise price of US\$ 0.16 per Warrant Share until June 14, 2027.

On 17 June 2022, the Company, through its wholly owned subsidiary, DEP Nevada, Inc., entered into the first amendment to PA #1 and PA #2 (the “First Amendment”) whereby the cash purchase price under PA #1 will be reduced from US\$2.5 million to US\$1.25 million and the Company will issue US\$1.25 million shares of common stock of the Company to the Sellers based on the 10 day volume weighted average price (“VWAP”) for the ten (10) consecutive trading days prior to the effective date of the First Amendment (the “Effective Date”) and subject to compliance with the policies of the Canadian Securities Exchange (the “CSE”). The Company will also issue additional shares to Cary Stiebel equal to the difference between the amount of the shares of common stock of the Company that were issued by the Company to Mr. Stiebel on December 3, 2021 (the “PA #2 Shares”) and the amount of shares that Mr. Stiebel would have received had the VWAP for the PA #2 Shares been calculated as of the Effective Date (the “Additional PA #2 Shares”). Additionally, on the date that is eighteen (18) months (548 days) following the Effective Date of this First Amendment (the “Additional Share Issuance Date”) the Company will issue US\$100,000 worth of shares to the Sellers based on the ten (10) day VWAP and subject to compliance with the policies of the CSE, calculated as of the Additional Share Issuance Date. Furthermore, DEP shall cause the Company to issue to Mr. Stiebel Three Hundred Thousand Dollars (US\$300,000.00) worth of shares of common stock of the Company within three (3) days following the Effective Date of this First Amendment, which shall be priced at the ten (10) day VWAP calculated as of the Effective Date of this First Amendment, and subject to compliance with the policies of the CSE (the “Additional True-up Shares”). Prior to the conclusion of the calculation of the actual working capital in accordance with PA #1 and PA #2, Sellers shall complete, execute and deliver to DEP Schedule D to the First Amendment, which shall set forth the amount of Additional True-up Shares each Seller is entitled to (as applicable) and such Additional True-up Shares shall be retitled in accordance with Schedule D to the First Amendment. In the event Schedule D to the First Amendment is not completed, executed and delivered to DEP prior to the conclusion of the calculation of the actual working capital, DEP shall have no obligation to retitle the shares and all Sellers hereby waive any claims against DEP and the Company in connection with such issuance made in accordance with Section 2(b)(v) of the First Amendment. Upon conclusion of the calculation of the actual working capital in accordance with PA #1 and PA #2, the parties agree as follows:

- (a) If the actual working capital is less than the target working capital of \$nil, the Purchase Price (as defined in PA #2) shall be reduced by an amount equal to the difference between the target working capital and the actual working capital and all of the Additional True-up Shares shall be forfeited and returned to Company for cancellation;
- (b) If the actual working capital is greater than the target working capital of \$nil and the Additional True-up Shares are sufficient to cover the difference between the actual working capital and the target working capital (the “DEP Deficit”), the parties agree that all or a portion of the Additional True-up Shares (valued at the ten (10) day VWAP calculated as of the Effective Date of the First Amendment and subject to compliance with the policies of the CSE) shall be issued to Sellers to satisfy the DEP Deficit owed by DEP to the Sellers in accordance with Section 2.02(b) of PA #2;
- (c) If the actual working capital is greater than the target working capital and the Additional True-up Shares are insufficient to cover the DEP Deficit, all of the Additional True-up Shares shall be issued to Sellers and the parties agree that any additional amounts owed to the Sellers shall be paid by DEP to the Sellers via additional shares of common stock of the Company.

In addition to the terms of the First Amendment, the parties have agreed that the release of any Additional True-up Shares hereunder shall be subject to the Sellers providing written direction to DEP for the release of the Additional True-up Shares payable under the First Amendment.

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, 2021, 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, 2021.

Introduction

This MD&A is focused on material changes in our financial condition from July 31, 2021, our most recently completed year end, to April 30, 2022, and our results of operations for the three and nine months ended April 30, 2022, 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, 2021.

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 August of 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 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”), and has received all licenses, permits and authorizations required to conduct medical and adult-use commercial cannabis retail operations. The San Diego ShowGrow dispensary 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 is expected to close in the near future.

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On July 11, 2021, we announced receipt of local approval for a cannabis manufacturing facility in Cathedral City, California and execution of a lease for the facility. We have applications in process with the California Bureau of Cannabis Control (BCC) for a type “N” manufacturing license, and with the California Department of Public Health (CDPH) for a distribution license, which is anticipated to allow us to manufacture and distribute our BaM branded flower products, extracts, oils and edibles.

In Ohio, we, through NMG, were managing the fully operational The Clubhouse dispensary located in Elyria, Ohio, which is owned by NMG Ohio LLC, of which we own 30% through our subsidiary 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. On September 17, 2021, the final award of the production license was transferred to our wholly owned subsidiary, NMG OH P1 LLC, and the transaction closed resulting in NMG now owning 100% of NMG Ohio.

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

In Michigan, we received all licenses and approvals and opened the “Body and Mind” branded dispensary on February 2, 2022 to serve medical patients and recreational customers in Muskegon, Michigan.

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

Intercorporate Relationships

The following is a list of all of our subsidiaries and the corresponding date of jurisdiction of incorporation or organization and the ownership interest of each. All of our subsidiaries are directly or indirectly owned by us:

Name of Entity	Place of Incorporation/Formation	Ownership Interest	Date of Acquisition or formation
DEP Nevada Inc. ⁽¹⁾	Nevada, USA	100%	August 10, 2017
Nevada Medical Group, LLC ⁽²⁾	Nevada, USA	100%	November 14, 2017
NMG Long Beach, LLC ⁽³⁾	California, USA	100%	December 18, 2018
NMG Cathedral City, LLC ⁽⁴⁾	California, USA	100%	January 4, 2019
NMG San Diego, LLC ⁽⁵⁾	California, USA	60%	January 30, 2019
NMG Ohio LLC ⁽⁶⁾	Ohio, USA	100%	April 27, 2017
NMG OH 1, LLC ⁽⁷⁾	Ohio, USA	100%	January 29, 2020
NMG OH P1, LLC ⁽⁸⁾	Ohio, USA	100%	January 29, 2020
NMG MI 1, Inc. ⁽⁹⁾	Michigan, USA	100%	June 24, 2021
NMG MI P1 Inc. ⁽¹⁰⁾	Michigan, USA	100%	June 24, 2021
NMG MI C1 Inc. ⁽¹¹⁾	Michigan, USA	100%	June 24, 2021
Canopy Monterey Bay, LLC ⁽¹²⁾	California, USA	80%	November 30, 2021

Notes:

- (1) DEP Nevada Inc. is a wholly-owned subsidiary of Body and Mind Inc.
- (2) Nevada Medical Group, LLC is a wholly-owned subsidiary of DEP Nevada Inc.
- (3) NMG Long Beach, LLC is a wholly-owned subsidiary of DEP Nevada Inc..
- (4) NMG Cathedral City, LLC is a wholly-owned subsidiary of DEP Nevada Inc.
- (5) NMG San Diego, LLC is a 60% owned subsidiary of DEP Nevada Inc..
- (6) NMG Ohio LLC is a wholly-owned subsidiary of Nevada Medical Group LLC
- (7) NMG OH 1, LLC is a wholly-owned subsidiary of DEP Nevada Inc.
- (8) NMG OH P1, LLC is a wholly-owned subsidiary of DEP Nevada Inc.

- (9) NMG MI 1, Inc. is a wholly-owned subsidiary of DEP Nevada, Inc.
- (10) NMG MI P1 Inc. is a wholly-owned subsidiary of DEP Nevada, Inc.
- (11) NMG MI C1 Inc. is a wholly-owned subsidiary of DEP Nevada, Inc.
- (12) Canopy Monterey Bay, LLC is 80% owned subsidiary of DEP Nevada, Inc. DEP Nevada Inc.'s ownership of such 80% of Canopy is subject to obtaining city and state approvals, which have now been received, and to completion of the required audited annual financial statements and unaudited interim financial statements of Canopy, failing which the Company may terminate the membership interest purchase agreement requiring the membership interests to be transferred back to the sellers and the escrow agent to return to DEP Nevada Inc. the cash consideration and the promissory note being automatically terminated.

Business Operations

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 Kaleidoscope Venture Capital, Inc. (formerly Vocalscape Networks, Inc.) and changed our name to Vocalscape, Inc. In November 2005, we changed our name to Nevstar Precious Metals Inc. In September 2008, we changed our name to Deploy Technologies Inc. ("**Deploy Tech**") and effective November 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 Nevada Inc ("**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\$6,007,430 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 including a 50 flowering 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 April 30, 2022, DEP has loaned \$1,893,252 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. The Company extended the loan maturity date by one year resulting in a new maturity date of March 30, 2023. The Management Agreement has an expiration of March 15, 2024 and can be mutually extendable.

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

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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, until September 2021 owned a 30% interest in NMG Ohio, LLC ("NMG Ohio"), which has a cannabis dispensary carrying on business as "The Clubhouse" in Elyria, Lorain County, Ohio. 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 \$1,188,168, and paid \$1,575,000. All share and cash payments for the transactions have been paid in full and 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 but the remaining 70% was not closed as of July 31, 2021. 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. On September 17, 2021, the final award of the production license was transferred to our wholly owned subsidiary, NMG OH P1 LLC, and the transaction closed resulting in NMG now owning 100% of NMG Ohio.

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.

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On September 2, 2021, Australis ownership of Body and Mind fell below 10% which resulted in the termination of the parties obligations under the Investment Agreement and Commercial Advisory Agreement.

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 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 NMG 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).

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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:USDS\$1.00. 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 LB at the end of August 2020 and is expected to close in the near future. The purchase price is fixed and 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. Any final settlement that is different than currently estimated will be allocated to other income or expense.

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.

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 facility is approximately 7,500 square feet, and tenant improvement of the building holding the facility was completed in February 2020. The 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 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.

Acquisition of Canopy Monterey Bay, LLC

On December 1, 2021 The Company announced the entering into of two definitive agreements with Canopy Monterey Bay, LLC ("**Canopy**") and the membership interest owners (the "**Sellers**") of Canopy to acquire an aggregate of 100% of Canopy, which owns a retail dispensary in the limited license jurisdiction of Seaside, California.

The first purchase agreement ("**PA #1**") between BaM's subsidiary, DEP, Canopy and all of the Sellers provides for the assignment of 80% of the membership interests of Canopy to DEP in exchange for a purchase price of US\$4.8 million comprised of US\$2.5 million in cash (the "**Cash Purchase Price**") and a secured promissory note in the amount of \$2.3 million bearing interest at a rate of 10% per annum compounded annually and having a maturity date of five years from the effective date of PA #1. Interest is payable for the first 6 months with the principal and accrued interest due at maturity. There are no prepayment penalties. The Cash Purchase Price is to be paid into escrow pursuant to an escrow agreement between the parties to PA #1 and Secured Trust Escrow, which Cash Purchase Price is to be released to the Sellers upon the receipt of city and state approval, or returned to DEP in the event of the denial of city and state approval and the agreement is terminated, in which case the 80% membership interests will be transferred back to the Sellers and the promissory note will be terminated.

The second purchase agreement ("**PA #2**") between DEP and the one continuing Seller provides for the assignment of the remaining 20% of the membership interests of Canopy to DEP following the receipt of the city and state approval under PA #1 in exchange for US\$1 million to be paid in either shares of common stock of BaM (the "**Consideration Shares**") or in cash at DEP's sole option if such payment takes place within six (6) months following the execution of PA #1. If DEP elects to pay the purchase price in Consideration Shares, the amount of Consideration Shares shall be determined based on the 10 day volume weighted average price ("**VWAP**") ending on November 30, 2021, which is US\$0.3665 per share for a total of 2,728,156 shares. In the event that six (6) months following the execution of PA #1, the value of the Consideration Shares have decreased such that total value of the Consideration Shares is less than ninety percent (90%) of its value, DEP agrees to cause BaM to issue an additional One Hundred Thousand Dollars (\$100,000) worth of shares of common stock of BaM (the "**Additional Shares**") to be issued to the one continuing Seller based on the ten day VWAP calculated as of six (6) months following the closing of PA #1. PA #2 contains a working capital adjustment provision, which provides that if there is a working capital deficiency as of the closing date of PA #1, then the purchase price under PA #2 shall be reduced by the amount of the deficiency, and if there is a working capital surplus as of the closing date of PA #1, then the purchase price under PA #2 shall be increased by the amount of the surplus.

On or around December 1, 2021, 80% of the membership interests of Canopy were transferred to DEP for purposes of applying for city and state approvals of the change in ownership of Canopy, however, the purchase price consideration of (i) \$2.5 million in cash, and (ii) a promissory note in the amount of \$2.3 million to be paid by DEP, were placed in escrow and not to be released to the sellers of the 80% membership interests in Canopy until the city and state approvals have been received and the audited annual financial statements and unaudited reviewed interim financial statements (collectively, the "**Financial Statements**") of Canopy are completed. If the city or state approvals are not received, or the Financial Statements of Canopy are not completed, then the Buyer may terminate the membership interest purchase agreement requiring the membership interests in Canopy to be transferred back to the sellers and the escrow agent to deliver back to DEP the cash consideration and the promissory note shall automatically be terminated. As of the date hereof, the city and state approvals have been received and the formal closing of the purchase of the 80% membership interests in Canopy will take place on the date following the completion of the Financial Statements.

Material Contracts

Other than already disclosed above under the subsection titled “Description of Our Business”, we have the following material contracts:

Loan Agreement

On July 19, 2021, we (also referred to as the “**Borrower**”), along with our subsidiaries, DEP Nevada Inc., Nevada Medical Group, LLC, NMG OH 1, LLC, NMG OH P1, LLC, NMG Long Beach, LLC, NMG Cathedral City, LLC, NMG CA 1, LLC, NMG CA C1, LLC, NMG MI 1, Inc., NMG MI P1, Inc., and NMG MI C1, Inc. (each, a “**Guarantor**” and collectively, the “**Guarantors**”) entered into and closed a loan agreement (the “**Loan Agreement**”) with FG Agency Lending LLC (the “**Agent**”) and Bomind Holdings LLC (the “**Lender**”), dated July 19, 2021. Upon entering into the Loan Agreement and the associated loan documents and agreements described below, the Lender provided the initial term loan (the “**Initial Term Loan**”) in the face amount of US\$6,666,667 of which US\$6,000,000 was advanced to the Company with the 10% representing an origination discount (the “**Origination Discount**”) as consideration for the use or forbearance of money. We may draw upon the remaining face amount of US\$4,444,444 (the “**Delayed Draw Term Loan**”) upon providing a 30-day request to the Agent by June 1, 2022, whereby US\$4,000,000 will be advanced to the Company after applying the Origination Discount. The Initial Term Loan and the Delayed Draw Term Loan mature on July 19, 2025 and bear interest at a rate of 13% per annum payable on the first day of each month hereafter.

Pursuant to the Loan Agreement, we have issued an aggregate of 8,000,000 common stock purchase warrants (each, a “**Warrant**”) to the Agent of which (i) 4,800,000 Warrants will entitle the holder to acquire shares of common stock (each, a “**Warrant Share**”) at an exercise price of US\$0.40 per Warrant Share until July 19, 2025, and (ii) 3,200,000 Warrants will be held in escrow by us and released to the Agent at the time the Company draws on the Delayed Draw Term Loan, or cancelled if we do not draw on the Delayed Draw Term Loan, which will entitle the holder to acquire a Warrant Share at an exercise price of US\$0.45 per Warrant Share until July 19, 2025.

The Initial Term Loan is evidenced by a Term Note (a “**Term Note**”), which is attached as Exhibit C to the Loan Agreement. If the Delayed Draw Term Loan is drawn upon by us, it will also be evidenced by a separate Term Note.

The following table sets forth additional terms of the Loan Agreement and the other loan documents entered into on July 19, 2021, as amended on November 30, 2021 and further amended on June 14, 2022, to extend the delayed draw request period from December 1, 2021 to March 31, 2023:

Loan Term	Four years
Face Amount	US\$11,111,111 (the “Face Amount”) funded in two (2) draws: (i) Initial Term Loan of US\$6,666,667 issued on closing; and (ii) Delayed Draw Term Loan of US\$4,444,444 issued upon 30 day request of the Company, which request must be made to the Agent by March 31, 2023 pursuant to the Amendment No. 2 to Loan Agreement.
Interest Rate	13% per annum. Amended to 15% per annum, which 2% interest may be paid in kind, with the interest being payable on the first of each month.
Default Interest Rate	20% per annum (inclusive of the 13% rate noted above)
Origination Discount	10% of the Face Amount treated as consideration for the use or forbearance of money
Agent Fee	The Borrower paid the Agent a US\$66,666.67 fee upon execution of the Loan Agreement, which was withheld from the initial advance of the Initial Term Loan made by the Lender. A further Agent Fee of \$44,444.44 will be withheld from the advance of the Delayed Draw Term Loan made by the Lender, if drawn upon by the Company.

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Lender Expenses	The Borrower is required to pay the Lender's reasonable costs, fees and expenses, including attorney's fees, in connection with entering into the Loan Agreement and the other loan documents, subject to a cap of US\$125,000.
Voluntary Prepayment	The Borrower may not prepay within one year of the closing date (" No Call Period "). Provided that no event of default has occurred following the No Call Period, Borrower may prepay the principle balance, in a minimum amount of US\$1,000,000, at the following rates: (1) Following the No Call Period through two-year anniversary of the Closing Date: 107%; (2) Following the two-year anniversary of the Closing Date through the three-year anniversary of the Closing Date: 107%; and (3) following the three year anniversary of the Closing Date and prior to the Maturity Date: 103%.
Mandatory Prepayment	Under certain circumstances, if the Borrower or any Guarantor incurs insurance claims or condemnation proceedings, then Borrower or the Guarantor must either reinvest such proceeds in assets useful to the Borrower's or Guarantor's business, as applicable, or use the resulting net cash proceeds to prepay the loan. There are mandatory prepayment provisions for some change of control scenarios.
Financial Covenants	The Borrower and its subsidiaries taken as a whole are required to have at least \$1,500,00 in liquidity at all times reported monthly. The Borrower and Guarantors on a consolidated basis must maintain a leverage ratio of at least 3:1 for acquisitions. Amendment No. 2 to Loan Agreement reduced the liquidity requirement to \$1,000,000 for a period of six months from June 14, 2022.
Other Covenants	The Borrower and its subsidiaries are subject to additional covenants customary for this type of transaction, including without limitation, covenants related to notices of certain events and reporting, and covenants restricting the Borrower's and its subsidiaries' business activities, other debt, fundamental transactions, acquisitions and dispositions, investments, dividend payments and affiliate transactions, in each case subject to mutually agreed upon qualifications and exceptions.
Events of Default	The Loan Agreement contains events of defaults customary for this type of transaction, some of which are subject to mutually agreed upon cure periods and notice requirements.
Remedies	The Loan Agreement and the other loan documents contain remedies customary for this type of transaction, including, without limitation, giving the Lender the ability to declare the loan and all amounts owed under the Loan Agreement due and payable upon the occurrence of an event of default and to operate or sell collateral and use the proceeds to repay the loan.
Other Provisions	The Loan Agreement and the other loan documents contain other provisions customary for this type of transaction, including, without limitation, representations and warranties, indemnities and confidentiality undertaking.
Exit Fee	Amendment No. 2 to Loan Agreement (see below) provides for an exit fee equal to 1.5% of the principal balance, which is due and payable upon any payment, in part or in full, of the initial term loan and the delayed draw term loan.
Agent Fee	Amendment No. 2 to Loan Agreement provides that the Company shall pay the Agent a fee of \$10,000 per month for six months from June 14, 2022.
Capital Expenditures	Amendment No. 2 to Loan Agreement provides that capital expenditures with respect to a certain project, purchase or acquisition cannot be more than \$100,000 in aggregate unless consented to in writing by the Agent.

Security Agreement

On July 19, 2021 (the "**Effective Date**"), we and the Guarantors (collectively, the "**Grantors**") entered into a security agreement (the "**Security Agreement**") with the Agent (acting as the agent to the Lender) (the Agent and the Lender being referred to herein as, the "**Secured Parties**") wherein Grantors have granted to Secured Parties a security interest in and to certain assets of the Grantors in order to secure our obligations pursuant to the Loan Agreement.

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Pursuant to the Security Agreement, the Grantors are granting to the Secured Parties a security interest in all personal property and other assets owned as of the Effective Date or acquired thereafter (the “**Collateral**”). Certain assets are excluded from the Collateral such as: (i) intent to use United States trademark applications; (ii) certain assets acquired with third-party financing (provided that such financing does not amortize prior to the maturity date of the Loan Agreement, matures at least 1 year after maturity of the Loan Agreement and the leverage ratio remains 3:1 following financing for such assets); and (iii) rights to licenses or contracts where granting liens is prohibited by law.

Upon a default under the Loan Agreement, the Secured Parties may enter upon the premises of the Grantors where any Collateral is located through self-help, without judicial process, without first obtaining a final judgment or giving the Grantors or any other Person notice and opportunity for a hearing on the Secured Parties’ claim or action and may collect, receive, assemble, process, appropriate and realize the Collateral, or any part thereof. In such event, the Grantors agree to assemble the Collateral and make it available to the Agent. Until the Agent is able to effect a disposition of the Collateral, the Agent shall have the right to hold or use the Collateral, or any part thereof, to the extent that it deems appropriate in its sole discretion for the purpose of preserving the Collateral or its value or for any other purpose deemed appropriate by the Agent. Agent shall not have any rights to take any action that would violate law.

To protect the Secured Parties’ interests in the Collateral, the Grantor’s have executed a power of attorney appointing Agent as the Grantors’ attorney in fact with such power and appointment only exercisable in the event of a default under the Loan Agreement and we have further agreed to file all UCC Financing Statements evidencing the granted security interests set forth in the Security Agreement.

Pledge Agreement

On July 19, 2021, we and our subsidiaries, DEP and NMG (collectively, the “**Pledgors**”) entered into a Pledge Agreement (the “**Pledge Agreement**”) with the Agent (acting as the collateral agent for the Lender) (the Lender and Agent are referred to herein as, the “**Secured Parties**”) wherein Pledgors have pledged certain of Pledgors’ equity interests in various subsidiaries in order to secure our obligations pursuant to the Loan Agreement.

Pursuant to the Pledge Agreement, Pledgors are pledging to the Secured Parties a lien on certain equity interests in Pledgors’ subsidiaries as follows (collectively, the “**Pledged Collateral**”):

- 1) Company is pledging to the Secured Parties all rights, privileges and interests in Company’s equity securities in DEP, which comprises of one hundred percent (100%) of the issued and outstanding shares of DEP;
- 2) NMG is pledging to the Secured Parties all rights, privileges and interests in NMG’s equity securities in NMG Ohio, which comprises of one hundred percent (100%) of the issued and outstanding membership interest of NMG Ohio; and
- 3) DEP is pledging to the Secured Parties all rights, privileges and interests in DEP’s equity securities in NMG, NMG OH 1, LLC, NMG OH P1, LLC, NMG LONG BEACH, LLC, NMG MI C1, INC., NMG MI P1, INC., NMG MI 1, INC., NMG CA C1, LLC, NMG CA P1, LLC, NMG CA 1, LLC, and NMG CATHEDRAL CITY, LLC (collectively, the “**DEP Pledged Subsidiaries**”). DEP owns one hundred percent (100%) of the issued and outstanding equity interests in each of the DEP Pledged Subsidiaries (collectively, DEP, NMG Ohio, and the DEP Pledged Subsidiaries being, the “**Pledged Entities**”).

The pledge, assignment and delivery of the Pledged Collateral pursuant to the Pledge Agreement creates a valid first priority lien. Without the prior written consent of the Agent, no Pledgor will sell, assign, transfer, pledge, or otherwise encumber any of its rights in or to the Pledged Collateral, or any unpaid dividends, interest or other distributions or payments with respect to the Pledged Collateral.

As long as no default under the Loan Agreement has occurred and is continuing, Pledgors shall have the right to vote and give consents with respect to the Pledged Collateral for all purposes not inconsistent with the provisions of the Pledge Agreement.

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Upon a default, the Agent, acting on behalf of the Secured Parties, is hereby authorized and empowered to (i) transfer the Pledged Collateral to the Secured Parties; (ii) transfer and register in its name the Pledged Collateral; (iii) exchange certificates representing Pledged Collateral for certificates of smaller or larger denominations, (iv) exercise the voting and all other rights; (v) collect and receive all cash dividends; (vi) notify the Pledged Entities to make payment to Agent of any amounts due in connection with the Pledged Collateral; (vii) endorse instruments in the name of the Pledgors to allow collection; (viii) enforce collection of any of the Pledged Collateral by suit or otherwise; (ix) sell, with notice and in accordance with applicable law, Pledged Collateral; (x) act with respect to the Pledged Collateral as though Agent was the outright owner; (xi) appoint a receiver (selected by Agent in its sole discretion) to administer the Pledged Collateral; and (xii) exercise any other rights or remedies the Secured Parties may have under the UCC or other applicable law.

Pledgors irrevocably appoint the Agent acting on behalf of the Secured Parties, as the proxy and attorney in fact with respect to the Pledged Collateral.

[Omnibus Collateral Assignment](#)

On July 19, 2021, we and our subsidiaries, DEP, NMG, NMG MI 1, Inc. (“**NMG MI 1**”), NMG MI C1, Inc. (“**NMG C1**”) and NMG MI P1, Inc. (“**NMG MI P1**”) (collectively, the “**Assignors**”) entered into an Omnibus Collateral Assignment (the “**Collateral Assignment**”) with the Agent wherein Assignors have granted to the Agent for the benefit of the Lender certain rights, interests and privileges of Assignors in and to certain contracts in order to secure our obligations pursuant to the Loan Agreement.

Pursuant to the Collateral Assignment, Assignors have granted to the Agent for the benefit of the Lender(s) a security interest in all the rights, interests and privileges which such Assignor has or may have in or under the following contracts (the “**Assigned Contracts**”):

- 1) Management Agreement between NMG and Comprehensive Care Group, LLC dated March 15, 2019;
- 2) Convertible Credit Facility Agreement from DEP to NMG MI 1, Inc. (formerly NMG MI 1, LLC) dated February 1, 2021;
- 3) Convertible Credit Facility Agreement from DEP to NMG MI C1, Inc. (formerly NMG MI C1, LLC) dated February 1, 2021; and
- 4) Convertible Credit Facility Agreement from DEP to NMG MI P1, Inc. (formerly NMG MI P1, LLC) dated February 1, 2021.

The rights of the Agent may only be exercised in the event of a default and the exercise of such rights must not violate any applicable law. Each Assignor, upon the occurrence and continuation of a default, authorizes the Agent on behalf of the Lender(s), at the Agent’s option and without notice, to directly receive any and all payments and other benefits owed to any Assignor under any Assigned Contract.

[Intercompany Subordinated Demand Promissory Note](#)

On July 19, 2021, we and our subsidiaries (DEP, NMG, NMG OH 1, LLC, NMG OH P1, LLC, NMG Long Beach, LLC, NMG MI C1, Inc., NMG MI P1, Inc., NMG MI 1, Inc., NMG CA C1, LLC, NMG CA P1, LLC, NMG CA 1, LLC and NMG Cathedral City, LLC) (collectively, the “**Affiliate Obligor**s”) entered into a Intercompany Subordinated Demand Promissory Note wherein Affiliate Obligor agree and acknowledge that all debt, liabilities and obligations owing or due, or to become due, to any other of our subsidiaries will be subordinate, and junior (the “**Subordinated Debt**”) to the discharge of our obligations under the Loan Agreement.

So long as no default has occurred under the Loan Agreement, each Affiliate Obligor may make payments on account of the Subordinated Debt in the ordinary course of business, solely to the extent such payments are permitted under the Loan Agreement. Upon default, no Affiliate Obligor shall make, accept or receive, any payment of Subordinated Debt Payment.

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Until our satisfaction of all obligations under the loan, no subsidiary holding rights to be paid Subordinated Debt will (i) accelerate, make demand, or otherwise make due and payable prior to the original due date thereof any Subordinated Debt; (ii) exercise any rights under or with respect to guaranties of the Subordinated Debt; (iii) exercise any of its rights or remedies in connection with the Subordinated Debt; (iv) exercise any right to set-off or counterclaim in respect of any debt, contest, protest, or object to any exercise of secured creditor remedies by Agent or any Lender; (v) object to any forbearance by the Agent; (vi) commence, or cause to be commenced, and insolvency proceeding; or (vii) contest, protest, or object to any Affiliate Obligor obtaining debtor-in-possession financing.

The foregoing descriptions of the Loan Agreement, the Security Agreement, the Pledge Agreement, the Omnibus Collateral Assignment, the Intercompany Subordinated Demand Promissory Note, the Term Note and the Warrants do not purport to be complete and are qualified in their entirety by reference to the full text of those documents, copies of which were attached as Exhibits 10.1, 10.2, 10.3, 10.4, 10.5, 10.6, 4.1 and 4.2, respectively, to our Current Report on Form 8-K filed with the SEC on July 23, 2021 and are incorporated by reference herein.

Amendment No. 1 to Loan Agreement

On November 30, 2021, we and the Guarantors entered into Amendment No. 1 to Loan Agreement (“Amendment No. 1 to Loan Agreement”) with the Agent and the Lender to (i) amend the definition of the term “Delayed Draw Request Period” to mean the period commencing on the Closing Date and ending on the earlier of the Delayed Draw Effective date or June 1, 2022, and (ii) to amend Schedule 7.17 to include as follows:

“4. On or before the date that is sixty (60) days after the Closing Date (which date may be extended in writing by Agent in its sole discretion), the Borrower shall use commercially reasonable efforts to deliver to the Agent, in form and substance reasonably acceptable to the Agent, a fully executed Landlord Waiver and Consent, by and between NMG OH 1, LLC and the applicable landlord for that certain lease property located at 709 Sugar Ln., Elyria, OH 44035.”

The foregoing description of the Amendment No. 1 to Loan Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Amendment No. 1 to Loan Agreement which is attached as Exhibit 10.1 hereto and is incorporated by reference herein.

Amendment No. 2 to Loan Agreement

On June 14, 2022, we entered into Amendment No. 2 to Loan Agreement (“Amendment No. 2 to Loan Agreement”) to extend the maturity date by one year to July 19, 2026. Additionally, Amendment No. 2 to Loan Agreement allows the outside date for us to draw on the delayed draw term loan of US\$4.44 million to be extended from June 1, 2022 to March 31, 2023, whereby US\$4 million in funds will be advanced to us. Our ability to draw on the delayed draw term loan is subject to compliance with certain provisions in Loan Agreement including provision of a satisfactory budget approved at the sole discretion of the Lender. The Amendment No. 2 to Loan Agreement increases the interest rate on the advanced funds from 13% to 15% per annum, which additional 2% interest may be paid in kind, with the interest being payable on the first day of each month. Amendment No. 2 to Loan Agreement provides for an exit fee equal to 1.5% of the principal balance, which is due and payable upon any payment, in part or in full, of the initial term loan and the delayed draw term loan. As partial consideration for Amendment No. 2 to Loan Agreement, we have issued 1,000,000 common stock purchase warrants (each, a “Warrant”) to the Lender. Each Warrant entitles the holder to acquire one share of common stock (each, a “Warrant Share”) at an exercise price of US\$0.16 per Warrant Share until June 14, 2027.

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Results of Operations for the three month periods ended April 30, 2022 and 2021:

The following table sets forth our results of operations for the three month periods ended April 30, 2022 and 2021:

	April 30, 2022	April 30, 2021
	\$	\$
Sales	7,876,674	7,156,016
Cost of Sales	(4,969,619)	(3,565,308)
Gross Margin	2,907,055	4,273,266
General and Administrative Expenses	(4,246,618)	(3,565,308)
Loss for the Period	(2,462,103)	(251,723)
Foreign Currency Translation Adjustment	(71,041)	(349,334)
Comprehensive Loss	(2,533,144)	(601,057)
Basic and Diluted Earnings (Loss) Per Share	(0.02)	(0.00)

Revenues

For the three month period ended April 30, 2022 we had total sales of \$7,876,674 and cost of sales of \$4,969,619 for a gross margin of \$2,907,055 compared to total sales of \$7,156,016 and cost of sales of \$3,565,308 for a gross margin of \$4,273,266 in the three month period ended April 30, 2021. The significant increase in net sales and cost of sales for the period ended April 30, 2022 is largely due to steady growth at all dispensaries and acquisitions. Gross margin decreased due to decreasing wholesale prices, increasing costs and higher inventory balance on hand at April 30, 2022.

During the three months ended April 30, 2022, the Company recorded product sales as follows:

Revenues – By Segment	Three months ended April 30, 2022	
	\$	%
Wholesale	1,211,104	15%
Retail	6,665,570	85%
Total	7,876,674	

Operating Expenses

For the three month period ended April 30, 2022, operating expenses totaled \$4,246,618 compared with \$3,565,308 for the three month period ended April 30, 2021. A significant reason for the increase in operating expenses between the periods related to an increase in salaries and wages from \$837,565 to \$1,326,073, as the Company continues to expand, and an increase in licenses, utilities and office administration from \$645,894 to \$1,048,447. The Company's office administration and salaries and wages increased considerably as a result of various ongoing acquisitions and expansions and as a result of increased operations in Nevada as well as the total number of employees under payroll.

The Company also had an increase in depreciation and amortization expense of \$445,656 compared to \$289,920 due to a larger balance of property and equipment and intangible assets that need to be depreciated/amortized. A large portion of the depreciation and amortization expense are also included in Cost of Sales resulting in an increase in Cost of Sales for the current period.

Other Items

During the three month period ended April 30, 2022, our other items accounted for \$301,223 of losses as compared to income of \$16,777 for the three month period ended April 30, 2021. The significant components in other items primarily relates to the Company's interest income on the secured convertible note and interest expense on the long-term loan payable.

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Net Loss

Net loss for the quarter ended April 30, 2022 totaled \$2,462,103 compared with a net loss of \$251,723 for the quarter ended April 30, 2021. The increase in net loss is largely due to the increase in general and administrative expenses and interest expense. The Company also reported income tax expense of \$821,317 (2021 - \$976,458) for the quarter.

Other Comprehensive Income (Loss)

We recorded a foreign currency translation adjustment loss of \$71,041 and \$349,334 for the quarter ended April 30, 2022 and 2021, respectively. The amounts are included in the statement of operations as other comprehensive gain for the respective periods.

Results of Operations for the nine month periods ended April 30, 2022 and 2021:

The following table sets forth our results of operations for the nine month periods ended April 30, 2022 and 2021:

	April 30, 2022	April 30, 2021
	\$	\$
Sales	23,494,016	18,765,785
Cost of Sales	(14,072,787)	(9,944,479)
Gross Margin	9,421,229	8,821,306
General and Administrative Expenses	(11,416,256)	(8,616,102)
Loss for the Period	(5,861,905)	(2,177,189)
Foreign Currency Translation Adjustment	(69,920)	-
Comprehensive Loss	(5,931,825)	(2,177,189)
Basic and Diluted Earnings (Loss) Per Share	(0.05)	(0.02)

Revenues

For the nine month period ended April 30, 2022 we had total sales of \$23,494,016 and cost of sales of \$14,072,787 for a gross margin of \$9,421,229 compared to total sales of \$18,765,785 and cost of sales of \$9,944,479 for a gross margin of \$8,821,306 in the nine month period ended April 30, 2021. The significant increase in net sales and cost of sales for the period ended April 30, 2022 is largely due to steady growth at all dispensaries and acquisitions. Gross margin decreased due to decreasing wholesale prices, increasing costs and higher inventory balance on hand at April 30, 2022.

During the nine months ended April 30, 2022, the Company recorded product sales as follows:

Revenues – By Segment	Nine months ended April 30, 2022	
	\$	%
Wholesale	4,303,780	18%
Retail	19,190,236	82%
Total	23,494,016	

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Operating Expenses

For the nine month period ended April 30, 2022, operating expenses totaled \$11,416,256 compared with \$8,616,102 for the nine month period ended April 30, 2021. A significant reason for the increase in operating expenses between the periods related to an increase in salaries and wages from \$2,393,620 to \$3,610,271, as the Company continues to expand, and an increase in licenses, utilities and office administration from \$1,759,066 to \$2,815,517. The Company's office administration and salaries and wages increased considerably as a result of various ongoing acquisitions and expansions and as a result of increased operations in Nevada as well as the total number of employees under payroll.

The Company also had an increase in depreciation and amortization expense of \$1,214,981 compared to \$832,627 due to a larger balance of property and equipment and intangible assets that need to be depreciated/amortized. A large portion of the depreciation and amortization expense are also included in Cost of Sales resulting in an increase in Cost of Sales for the current period.

Other Items

During the nine month period ended April 30, 2022, our other items accounted for \$927,739 of losses as compared to an income of \$258,134 for the nine month period ended April 30, 2021. The significant components in other items primarily relates to the Company's interest income on the secured convertible note and interest expense of \$1,016,969 on the long-term loan payable. In 2020, other items also consisted of the Company's proportion of income on equity investee in NMG Ohio LLC of \$24,872 and the bargain purchase price of the Ohio dispensary acquisition of \$208,176.

Net Loss

Net loss for the nine months ended April 30, 2022 totaled \$5,861,905 compared with a net loss of \$2,177,189 for the nine months ended April 30, 2021. The increase in net loss is largely due to the increase in general and administrative expenses, partially offset by an increase in gross profit. The Company also reported an income tax expense of \$2,939,139 (2021 - \$2,640,527) for the period.

Other Comprehensive Income (Loss)

We recorded foreign currency translation adjustments of \$69,920 for the nine months ended April 30, 2022. 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 April 30, 2022:

	As of April 30, 2022 (unaudited)
Cash reserves	\$ 3,706,894
Working capital	\$ 2,422,715

At April 30, 2022, we had cash of \$3,706,894 as compared to cash of \$7,374,194 at July 31, 2021. The Company has minimal committed capital expenditures.

Statement of Cash flows

During the nine month period ended April 30, 2022, our net cash decreased by \$3,667,300 (2021 - \$36,382), which included net cash used in operating activities of \$557,507 (2021 - \$21,129), net cash used in investing activities of \$3,039,961 (2021 - \$642,396), net cash provided by financing activities of \$88 (2021 - \$304,855) and effect of exchange rate changes on cash and cash equivalents of \$69,920 (2021 - \$322,288).

Cash Flow provided by Operating Activities

Cash flow used in operating activities totaled \$557,507 and \$21,129 during the nine months ended April 30, 2022 and 2021, respectively. Significant changes in cash used in operating activities are outlined as follows:

- The Company incurred a net loss from operations of \$5,861,905 during the nine months ended April 30, 2022 compared to \$2,177,189 in 2021. The net loss in 2022 included, among other things, amortization of licenses of \$1,061,202 (2021 - \$775,692), non-cash operating lease costs of \$719,096 (2021 - \$292,660), amortization of debt discount of \$356,732 (2021 - \$Nil), accrued interest income of \$54,000 (2021 - \$54,000), and stock-based compensation of \$386,327 (2021 - \$733,098).

The following non-cash items further adjusted the loss for the nine months ended April 30, 2022 and 2021:

- Decrease in amounts receivable and prepaid of \$493,515 (2021 - increase of \$253,482), increase in inventory of \$731,072 (2021 - \$1,391,032), increase in deposits of \$113,828 (2021 - \$Nil), increase in trade payables and accrued liabilities of \$127,827 (2021 - decrease of \$276,126), increase in income taxes payable and deferred taxes of \$2,938,139 (2021 - \$2,574,933), decrease in due to related parties of \$5,354 (2021 - \$15,228), and decrease of operating lease liabilities of \$583,427 (2021 - \$246,325).

Cash Flow used in Investing Activities

During the nine month period ended April 30, 2022, investing activities used cash of \$3,039,961 compared to \$642,396 during the nine month period ended April 30, 2021. The change in cash used in investing activities from the nine month period ended April 30, 2022 relates primarily to the acquisition of 80% membership interest in Canopy for \$2,121,497, net of cash received. In addition, the Company purchased equipment of \$619,613 (2021 - \$275,433), a convertible loan of \$244,436 (2021 - \$164,947) provided to CCG in Arkansas, and cash provided to NMG Ohio, net of cash received on acquisition, was \$54,415 (2021 - \$136,326).

Cash Flow provided by Financing Activities

During the nine month period ended April 30, 2022, financing activities used cash of \$88 compared to \$304,855 during the nine month period ended April 30, 2021, all related to a repayment of loan.

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

The Company signed a lease agreement, effective 1 June 2022, for an office space located in Henderson, Nevada. The lease is for 3 years for \$4,482 per month.

On 15 June 2022, the Company entered into a second amendment to the Loan Agreement (“Amendment No. 2 to Loan Agreement”) (Note 14) to extend the maturity date by one year to 19 July 2026. Additionally, Amendment No. 2 to Loan Agreement allows the outside date for the Company to draw on the delayed draw term loan of US\$4.44 million to be extended from June 1, 2022 to March 31, 2023, whereby US\$4 million in funds will be advanced to the Company. The ability of the Company to draw on the delayed draw term loan is subject to compliance with certain provisions in Loan Agreement including provision of a satisfactory budget approved at the sole discretion of the Lender. The Amendment No. 2 to Loan Agreement increases the interest rate on the advanced funds from 13% to 15% per annum, which additional 2% interest may be paid in kind, with the interest being payable on the first day of each month. Amendment No. 2 to Loan Agreement provides for an exit fee equal to 1.5% of the principal balance, which is due and payable upon any payment, in part or in full, of the initial term loan and the delayed draw term loan. As partial consideration for Amendment No. 2 to Loan Agreement, the Company has issued 1,000,000 common stock purchase warrants (each, a “Warrant”) to the Lender. Each Warrant entitles the holder to acquire one share of common stock (each, a “Warrant Share”) at an exercise price of US\$0.16 per Warrant Share until June 14, 2027.

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On 17 June 2022, the Company, through its wholly owned subsidiary, DEP Nevada, Inc., entered into the first amendment to PA #1 and PA #2 (the "First Amendment") whereby the cash purchase price under PA #1 will be reduced from US\$2.5 million to US\$1.25 million and the Company will issue US\$1.25 million shares of common stock of the Company to the Sellers based on the 10 day volume weighted average price ("VWAP") for the ten (10) consecutive trading days prior to the effective date of the First Amendment (the "Effective Date") and subject to compliance with the policies of the Canadian Securities Exchange (the "CSE"). The Company will also issue additional shares to Cary Stiebel equal to the difference between the amount of the shares of common stock of the Company that were issued by the Company to Mr. Stiebel on December 3, 2021 (the "PA #2 Shares") and the amount of shares that Mr. Stiebel would have received had the VWAP for the PA #2 Shares been calculated as of the Effective Date (the "Additional PA #2 Shares"). Additionally, on the date that is eighteen (18) months (548 days) following the Effective Date of this First Amendment (the "Additional Share Issuance Date") the Company will issue US\$100,000 worth of shares to the Sellers based on the ten (10) day VWAP and subject to compliance with the policies of the CSE, calculated as of the Additional Share Issuance Date. Furthermore, DEP shall cause the Company to issue to Mr. Stiebel Three Hundred Thousand Dollars (US\$300,000.00) worth of shares of common stock of the Company within three (3) days following the Effective Date of this First Amendment, which shall be priced at the ten (10) day VWAP calculated as of the Effective Date of this First Amendment, and subject to compliance with the policies of the CSE (the "Additional True-up Shares"). Prior to the conclusion of the calculation of the actual working capital in accordance with PA #1 and PA #2, Sellers shall complete, execute and deliver to DEP Schedule D to the First Amendment, which shall set forth the amount of Additional True-up Shares each Seller is entitled to (as applicable) and such Additional True-up Shares shall be retitled in accordance with Schedule D to the First Amendment. In the event Schedule D to the First Amendment is not completed, executed and delivered to DEP prior to the conclusion of the calculation of the actual working capital, DEP shall have no obligation to retitle the shares and all Sellers hereby waive any claims against DEP and the Company in connection with such issuance made in accordance with Section 2(b)(v) of the First Amendment. Upon conclusion of the calculation of the actual working capital in accordance with PA #1 and PA #2, the parties agree as follows:

- (a) If the actual working capital is less than the target working capital of \$nil, the Purchase Price (as defined in PA #2) shall be reduced by an amount equal to the difference between the target working capital and the actual working capital and all of the Additional True-up Shares shall be forfeited and returned to Company for cancellation;
- (b) If the actual working capital is greater than the target working capital of \$nil and the Additional True-up Shares are sufficient to cover the difference between the actual working capital and the target working capital (the "DEP Deficit"), the parties agree that all or a portion of the Additional True-up Shares (valued at the ten (10) day VWAP calculated as of the Effective Date of the First Amendment and subject to compliance with the policies of the CSE) shall be issued to Sellers to satisfy the DEP Deficit owed by DEP to the Sellers in accordance with Section 2.02(b) of PA #2;
- (c) If the actual working capital is greater than the target working capital and the Additional True-up Shares are insufficient to cover the DEP Deficit, all of the Additional True-up Shares shall be issued to Sellers and the parties agree that any additional amounts owed to the Sellers shall be paid by DEP to the Sellers via additional shares of common stock of the Company.

In addition to the terms of the First Amendment, the parties have agreed that the release of any Additional True-up Shares hereunder shall be subject to the Sellers providing written direction to DEP for the release of the Additional True-up Shares payable under the First Amendment.

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.

- **Business Combination**

The results of businesses acquired in a business combination are included in our consolidated financial statements from the date of the acquisition. Purchase accounting results in assets and liabilities of an acquired business being recorded at their estimated fair values on the acquisition date. Any excess consideration over the fair value of assets acquired and liabilities assumed is recognized as goodwill.

We perform valuations of assets acquired and liabilities assumed on each acquisition accounted for as a business combination in order to record the tangible and intangible assets acquired and liabilities assumed based on our best estimate of fair value. Determining the fair value of assets acquired and liabilities assumed requires management to use significant judgment and estimates including the selection of valuation methodologies, estimates of future revenue and cash flows, discount rates and selection of comparable companies. Significant estimation is required in determining the fair value of the customer relationship intangible assets, deferred revenue and contingent consideration liabilities. The significant estimation is primarily due to the judgmental nature of the inputs to the valuation models used to measure the fair value of these intangible assets, deferred revenue and contingent consideration liabilities, as well as the sensitivity of the respective fair values to the underlying significant assumptions. We use the income approach to measure the fair value of these intangible assets. The significant assumptions used to estimate the fair value of the intangible assets included forecasted revenues from existing customers and existing customer attrition rates. When estimating the significant assumptions to be used in the valuation we include a consideration of current industry information, market and economic trends, historical results of the acquired business and other relevant factors. These significant assumptions are forward-looking and could be affected by future economic and market conditions. We engage the assistance of valuation specialists in concluding on fair value measurements in connection with determining fair values of assets acquired and liabilities assumed in a business combination.

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. Adopting this ASU did not have a significant impact on the Company's consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. ASU 2021-08 requires the recognition and measurement of contract assets and contract liabilities acquired in a business combination in accordance with ASC 606, Revenue from Contracts with Customers. Considerations to determine the amount of contract assets and contract liabilities to record at the acquisition date include the terms of the acquired contract, such as timing of payment, identification of each performance obligation in the contract and allocation of the contract transaction price to each identified performance obligation on a relative standalone selling price basis as of contract inception. ASU 2021-08 is effective for the Company beginning in the first quarter of 2023. ASU 2021-08 should be applied prospectively for acquisitions occurring on or after the effective date of the amendments. Early adoption of the proposed amendments would be permitted, including adoption in an interim period. The Company is currently assessing the impact this standard will have on the Company's condensed 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 reduces its exposure to credit risk by maintaining its cash 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 working capital of \$2,422,715 as at April 30, 2022. The Company outlined substantial doubt about its ability to continue as a going concern in prior periods which has been alleviated by securing long term debt, cash flow positive operations and increased sales. The Company anticipates that current cashflow positive operations, cash on hand and working capital will ensure coverage for all expenses associated with current operations for at least the next 15 months from the issuance of these financial statements. Management believes that the Company has access to capital resources through potential public or private issuances of debt or equity securities to further contribute to the growth of the company.

- 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 market 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 April 30, 2022, 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 April 30, 2022 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 April 30, 2022, 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

There were no changes to our internal control over financial reporting that occurred during the quarter ended April 30, 2022, 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

We are not, and were not during our most recently completed fiscal quarter, engaged in any legal proceedings and none of our property is or was during that period the subject of any legal proceedings. We do not know of any such legal proceedings which are contemplated.

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 June 14, 2022, we issued 1,000,000 common stock purchase warrants (each, a “Warrant”) to Bomind Holdings LLC (the “Lender”) pursuant Amendment No. 2 to Loan Agreement. Each Warrant entitles the holder thereof to acquire one share of common stock (each, a “Warrant Share”) at a price of \$0.16 per Warrant Share and having an expiry date of June 14, 2027. We relied upon the exemption from the registration requirements under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”) provided by Rule 506(b) of Regulation D and/or Section 4(a)(2) of the U.S. Securities Act with respect to such issuance.

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable

ITEM 5 – OTHER INFORMATION

On 17 June 2022, the Company, through its wholly owned subsidiary, DEP Nevada, Inc., entered into the first amendment to PA #1 and PA #2 (the “First Amendment”) whereby the cash purchase price under PA #1 will be reduced from US\$2.5 million to US\$1.25 million and the Company will issue US\$1.25 million shares of common stock of the Company to the Sellers based on the 10 day volume weighted average price (“VWAP”) for the ten (10) consecutive trading days prior to the effective date of the First Amendment (the “Effective Date”) and subject to compliance with the policies of the Canadian Securities Exchange (the “CSE”). The Company will also issue additional shares to Cary Stiebel equal to the difference between the amount of the shares of common stock of the Company that were issued by the Company to Mr. Stiebel on December 3, 2021 (the “PA #2 Shares”) and the amount of shares that Mr. Stiebel would have received had the VWAP for the PA #2 Shares been calculated as of the Effective Date (the “Additional PA #2 Shares”). Additionally, on the date that is eighteen (18) months (548 days) following the Effective Date of this First Amendment (the “Additional Share Issuance Date”) the Company will issue US\$100,000 worth of shares to the Sellers based on the ten (10) day VWAP and subject to compliance with the policies of the CSE, calculated as of the Additional Share Issuance Date. Furthermore, DEP shall cause the Company to issue to Mr. Stiebel Three Hundred Thousand Dollars (US\$300,000.00) worth of shares of common stock of the Company within three (3) days following the Effective Date of this First Amendment, which shall be priced at the ten (10) day VWAP calculated as of the Effective Date of this First Amendment, and subject to compliance with the policies of the CSE (the “Additional True-up Shares”). Prior to the conclusion of the calculation of the actual working capital in accordance with PA #1 and PA #2, Sellers shall complete, execute and deliver to DEP Schedule D to the First Amendment, which shall set forth the amount of Additional True-up Shares each Seller is entitled to (as applicable) and such Additional True-up Shares shall be retitled in accordance with Schedule D to the First Amendment. In the event Schedule D to the First Amendment is not completed, executed and delivered to DEP prior to the conclusion of the calculation of the actual working capital, DEP shall have no obligation to retitle the shares and all Sellers hereby waive any claims against DEP and the Company in connection with such issuance made in accordance with Section 2(b)(v) of the First Amendment. Upon conclusion of the calculation of the actual working capital in accordance with PA #1 and PA #2, the parties agree as follows:

- (a) If the actual working capital is less than the target working capital of \$nil, the Purchase Price (as defined in PA #2) shall be reduced by an amount equal to the difference between the target working capital and the actual working capital and all of the Additional True-up Shares shall be forfeited and returned to Company for cancellation;
- (b) If the actual working capital is greater than the target working capital of \$nil and the Additional True-up Shares are sufficient to cover the difference between the actual working capital and the target working capital (the “DEP Deficit”), the parties agree that all or a portion of the Additional True-up Shares (valued at the ten (10) day VWAP calculated as of the Effective Date of the First Amendment and subject to compliance with the policies of the CSE) shall be issued to Sellers to satisfy the DEP Deficit owed by DEP to the Sellers in accordance with Section 2.02(b) of PA #2;
- (c) If the actual working capital is greater than the target working capital and the Additional True-up Shares are insufficient to cover the DEP Deficit, all of the Additional True-up Shares shall be issued to Sellers and the parties agree that any additional amounts owed to the Sellers shall be paid by DEP to the Sellers via additional shares of common stock of the Company.

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In addition to the terms of the First Amendment, the parties have agreed that the release of any Additional True-up Shares hereunder shall be subject to the Sellers providing written direction to DEP for the release of the Additional True-up Shares payable under the First Amendment.

The foregoing description of the First Amendment does not purport to be complete and is qualified in its entirety by reference to the full text of the First Amendment, which is filed as Exhibit 10.1 hereto and is incorporated by reference herein.

ITEM 6 – EXHIBITS

The following exhibits are included with this Quarterly Report:

Exhibit	Description of Exhibit
10.1	First Amendment to Membership Interest Purchase Agreements between DEP Nevada, Inc., Canopy Monterey Bay, LLC, Cary Stiebel, Jana Stiebel, Jayme Rivard, Adrian Dermicek and Laurie Johnson, dated June 17, 2022.
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.INS	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
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded within the inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BODY AND MIND INC.

Date: June 21, 2022

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

Date: June 21, 2022

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

**FIRST AMENDMENT TO
MEMBERSHIP INTEREST PURCHASE AGREEMENTS**

This first amendment to the stock purchase agreement (this "First Amendment") is made and entered into on June 17, 2022 (the "Effective Date"), by and between DEP NEVADA, INC. ("Buyer") on one hand and CARY STIEBEL, JANA STIEBEL, JAYME RIVARD, ADRIAN DERMICEK, AND LAURIE JOHNSON (collectively the "Sellers") and CANOPY MONTEREY BAY, LLC ("Company") on the other hand. Buyer, Sellers and Company are hereinafter sometimes referred to together as the "Parties" and individually as a "Party."

WHEREAS, Sellers and Buyer entered into a Membership Interest Purchase Agreement dated November 30, 2021 wherein the Seller is selling to the Buyer and the Buyer is purchasing from Seller, eighty percent (80%) of the issued and outstanding membership interest of Company (the "MIPA #1") pursuant to the terms and conditions of MIPA #1;

WHEREAS, Seller, Cary Stiebel ("Mr. Stiebel") and Buyer entered into a second Membership Interest Purchase Agreement dated November 30, 2021 wherein Mr. Stiebel is selling to the Buyer and the Buyer is purchasing from Mr. Stiebel, twenty percent (20%) of the issued and outstanding membership interest of Company (the "MIPA #2") pursuant to the terms and conditions of MIPA #2;

WHEREAS, by this First Amendment, the Parties desire to modify the terms and conditions of MIPA #1 and MIPA #2 (collectively, the "MIPAs") as further described herein; and

NOW, THEREFORE, in consideration of the covenants, agreements, representations, and warranties contained in this First Amendment, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound, the Parties hereby agree as follows:

1. **Definitions.** Except as expressly amended hereby, any capitalized terms used herein which are defined in MIPA #1 and MIPA #2 shall have the same meanings herein as in MIPA #1 and MIPA #2, unless the context clearly indicates otherwise.

2. **Amendments.**

a. **Amendment to Cash Purchase Price.** As of the Effective Date of this First Amendment, pursuant to Section 3.02 of MIPA #1, Buyer has deposited the entire Cash Purchase Price with Escrow Agent and the Parties have executed the Escrow Agreement governing the Escrow Agent's release of the Cash Purchase Price. The Parties hereby agree to amend MIPA #1 to reduce the Cash Purchase Price by One Million Two Hundred Fifty Thousand Dollars (US\$1,250,000.00) (the "**Reduction Amount**") resulting in the Cash Purchase Price being reduced from Two Million Five Hundred Thousand Dollars (\$2,500,000.00) to One Million Two Hundred Fifty Thousand Dollars (\$1,250,000.00) (the "**New Cash Purchase Price**"). MIPA #1 is hereby amended such that the Cash Purchase Price shall be replaced by the New Cash Purchase Price. Contemporaneous with the execution of this First Amendment, the Parties shall execute the amendment to the Escrow Agreement attached hereto as Schedule A (the "**Amended Escrow Agreement**"), irrevocably directing Escrow Agent to release the Reduction Amount to Buyer.

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b. Consideration For Reduced Cash Purchase Price. As consideration for Sellers accepting the New Cash Purchase Price, Buyer shall release a portion of the New Cash Purchase Price and cause its Parent Entity to issue to Sellers certain additional shares of Parent Entity common stock (*as described below*) (collectively, the “**Amendment Shares**”):

i. Early Cash Release. The Parties agree that, in connection with this Amendment, the Buyer hereby agrees to release to Sellers One Hundred Thousand Dollars (\$100,000.00) of the New Cash Purchase Price as further set forth in the Amended Escrow Agreement.

ii. Initial Amendment Shares. Buyer shall cause its Parent Entity to issue One Million Two Hundred Fifty Thousand Dollars (US\$1,250,000.00) worth of shares of Parent Entity’s common stock based on the VWAP (as defined in MIPA #2), and subject to compliance with the policies of the Canadian Securities Exchange (the “CSE”), calculated as of the Effective Date of this First Amendment (the “**Initial Amendment Shares**”). The Initial Amendment Shares shall be held with Parent Entity’s transfer agent and released to Sellers on the date following: (i) the New Cash Purchase Price being released from the Escrow Agent and paid to Sellers; and (ii) Sellers having provided to Buyer written direction for release of the Initial Amendment Shares. A portion of the Initial Amendment Shares shall be paid to each Seller in the amounts set forth on Schedule C attached hereto, which shall be fully executed and delivered to Buyer within ten (10) days following execution of this Amendment. In the event Schedule C is not signed and delivered within such time, Buyer shall be permitted to issue to Mr. Stiebel one hundred percent (100%) of the Initial Amendment Shares. Sellers hereby waive any claims against Buyer and Parent Entity in connection with any issuance made in accordance with this Section 2(b)(i).

iii. Additional MIPA #2 Shares. In connection with the MIPAs, on December 3, 2021, Buyer has caused Parent Entity to issue One Million Dollars (US\$1,000,000.00) worth of shares to Mr. Stiebel to be held by Parent Entity’s transfer agent in connection with Buyer’s potential obligation to pay the Purchase Price (*as defined in MIPA #2*) (the “**MIPA #2 Shares**”). The Parties agree that on the Effective Date of this First Amendment, the Buyer shall cause Parent Entity to issue additional shares to Mr. Stiebel equal to the difference between the amount of the MIPA #2 Shares and the amount of shares the Mr. Stiebel would have received had the VWAP for the MIPA #2 Shares been calculated as of the Effective Date of this First Amendment (the “**Additional MIPA #2 Shares**”). **For the purposes of example only:** Buyer and Mr. Stiebel agree that MIPA #2 Shares equal 2,728,156 shares of Parent Entity’s common stock. If the VWAP for One Million Dollars (US\$1,000,000.00) worth of shares calculated as of the Effective date of this First Amendment, and subject to compliance with the policies of the CSE, would result in 3,000,000 shares of Parent Entity, the Additional MIPA #2 Shares shall be equal to 271,844 shares. The MIPA #2 Shares shall be held pending release of the Initial Amendment Shares as set forth in Section 2(b)(ii).

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iv. Additional Amendment Shares. On the date that is eighteen (18) months (548 days) following the Effective Date of this First Amendment (the "Additional Share Issuance Date"), Buyer shall cause its Parent Entity to issue One Hundred Thousand Dollars (US\$100,000.00) worth of shares of Parent Entity's Common Stock based on the VWAP (as defined in MIPA #2), and subject to compliance with the policies of the CSE, calculated as of the Additional Share Issuance Date (the "Additional Amendment Shares"). A portion of the Additional Amendment Shares shall be paid to each Seller in the amounts set forth on Schedule C attached hereto, which shall be fully executed and delivered to Buyer within ten (10) days following execution of this Amendment. In the event Schedule C is not signed and delivered within such time, Buyer shall be permitted to issue to Mr. Stiebel one hundred percent (100%) of the Additional Amendment Shares. The Additional Amendment Shares shall be held until Buyer receives written notice from Sellers directing Buyer to release the Additional Amendment Shares. Sellers hereby waive any claims against Buyer and Parent Entity in connection with any issuance made in accordance with this Section 2(b)(iii).

v. Additional True-up Shares. Notwithstanding anything set forth in the MIPAs to the contrary, in the event the Purchase Price is increased in accordance with Section 2.02(b) of MIPA #2, any additional amounts payable to Sellers by Buyer ("Buyer True-up Amounts") shall be paid at Buyer's option by Buyer causing Parent Entity to issue shares of Parent Entity's common stock to Sellers based on the VWAP calculated as of the Effective Date of this First Amendment and subject to compliance with the policies of the CSE. As the Buyer True-up Amounts, if any, are unknown at this time, Buyer shall cause Parent Entity to issue to Mr. Stiebel Three Hundred Thousand Dollars (US\$300,000.00) worth of shares within three (3) days following the Effective Date of this First Amendment, which shall be priced at the VWAP calculated as of the Effective Date of this First Amendment, and subject to compliance with the policies of the CSE, (the "Additional True-up Shares"). Prior to the conclusion of the calculation of the Actual Working Capital in accordance with the MIPAs, Sellers shall complete, execute and deliver to Buyer Schedule D, which shall set forth the amount of Additional True-up Shares each Seller is entitled to (*as applicable*) and Buyer shall retitle the Additional True-up Shares in accordance with Schedule D. In the event Schedule D is not completed, executed and delivered to Buyer prior to the conclusion of the calculation of the Actual Working Capital, Buyer shall have no obligation to retitle the shares and all Sellers hereby waive any claims against Buyer and Parent Entity in connection with such issuance made in accordance with this Section 2(b)(iv). Upon conclusion of the calculation of the Actual Working Capital in accordance with the MIPAs, the Parties agree as follows:

A. If the Actual Working Capital is less than the Target Working Capital, the Purchase Price (*as defined in MIPA #2*) shall be reduced by an amount equal to the difference between the Target Working Capital and the Actual Working Capital and all of the Additional True-up Shares shall be forfeited and returned to Company for cancellation;

B. If the Actual Working Capital is greater than the Target Working Capital and the Additional True-up Shares are sufficient to cover the difference between the Actual Working Capital and the Target Working Capital (the "DEP Deficit"), the Parties agree that all or a portion of the Additional True-up Shares (valued at the VWAP calculated as of the Effective Date of this First Amendment and subject to compliance with the policies of the CSE) shall be issued to Sellers to satisfy the DEP Deficit owed by Buyer to Sellers in accordance with Section 2.02(b) of MIPA #2;

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C. If the Actual Working Capital is greater than the Target Working Capital and the Additional True-up Shares are insufficient to cover the DEP Deficit, all of the Additional True-up Shares shall be issued to Sellers and the Parties agree that any additional amounts owed to Sellers shall be paid by Buyer to Sellers via additional shares of Parent Entity;

In addition to the terms of this Amendment, the Parties hereby expressly agree that the release of any Additional True-up Shares hereunder shall be subject to Sellers providing written direction to Buyer for the release of the Additional True-up Shares payable hereunder.

c. Securities Regulations. The issuance of any Parent Entity shares pursuant to this First Amendment is subject to an exemption from the registration requirements under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") and applicable state securities laws, and subject to an exemption from the prospectus requirements being available under British Columbia Instrument 72-503 - *Distributions of Securities Outside of British Columbia* ("BCI 72-503"), and all in accordance with the policies of the CSE. No shares shall be issued hereunder unless and until the appropriate documents are submitted to Buyer, including without limitation, the U.S. Accredited Investor Certificate (discussed below).

Each of the Sellers represents, warrants and acknowledges that it is acquiring the MIPA #2 Shares, Additional MIPA #2 Shares, Additional Amendment Shares and Additional True-up Shares (collectively referred to as the "Securities"), as applicable, as principal for its own account for investment purposes and not with a view to, or for offer or sale in connection with, any distribution thereof or any other security related thereto within the meaning of the U.S. Securities Act. Sellers acknowledge that neither the Buyer nor Parent Entity have registered the offer and sale of the Securities under the U.S. Securities Act or any state securities laws. In this regard, the Sellers hereby acknowledge and agrees that the Buyer and the Parent Entity make no representations as to any resale or other restrictions affecting the Securities to be issued to the Sellers under this First Amendment and that it is presently contemplated that the Securities will be issued by the Parent Entity to the Sellers in reliance upon an exemption from the prospectus requirements under BCI 72-503 and in reliance upon an exemption from the registration requirements under the U.S. Securities Act provided by Rule 506(b) of Regulation D thereunder, and all applicable state securities laws, which will impose trading restrictions on the Securities. The Sellers have reviewed and duly executed the U.S. Accredited Investor Certificate in the form attached to this Agreement as Schedule B to ensure the Securities are issued by the Parent Entity to the Sellers in compliance with the exemption from the registration requirements provided by Rule 506(b) of Regulation D under the U.S. Securities Act. Schedule B is incorporated into this First Amendment by reference and forms a part of this First Amendment. The Sellers hereby also acknowledge and understand that neither the sale of the Securities nor any of the Securities themselves, have been registered under the U.S. Securities Act or any state securities laws, and, furthermore, that the Securities must be held indefinitely unless subsequently registered under the U.S. Securities Act or an exemption from such registration is available. In addition, the Sellers hereby also acknowledge and understand that the certificate(s) representing the Securities will be stamped with the following legends (or substantially equivalent language) restricting transfer in the following manner:

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“THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR APPLICABLE STATE SECURITIES LAWS. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, OR PURSUANT TO AN EXEMPTION OR EXCLUSION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS.”;

“UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE *[insert the date that is 4 months and a day after the distribution date].*”

The Sellers hereby consent to the Parent Entity making a notation on its records or giving instructions to any transfer agent of the Securities in order to implement the restrictions on transfer set forth and described hereinabove.

3. **No Further Amendments.** Except as expressly provided herein, the MIPAs shall be unaffected hereby and shall remain in full force and effect.

4. **Miscellaneous.**

(a) *Governing Law.* This First Amendment will be governed and construed according to the choice of governing and constructive law set forth in the MIPAs.

(b) *Assignment.* Neither this First Amendment nor any of the rights or obligations of the Parties hereunder may be assigned without the prior written consent of the other Party.

(c) *Entire Agreement.* This First Amendment constitutes the sole and complete understanding of the Parties with respect to its subject matter addressed herein and supersedes all prior or contemporaneous communications between the Parties concerning such subject matter.

(d) *Counterparts.* This First Amendment may be executed in counterparts by facsimile, email or electronic signature (e.g. DocuSign or adobeSign), each of which will constitute an original, but which collectively will form one and the same instrument.

[signature page follows]

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IN WITNESS WHEREOF, this Amendment to MIPA #1 and MIPA #2 has been duly executed and delivered by each of the Parties hereto as of the day and year first above written.

BUYER:

DEP Nevada, Inc.

By: /s/ Stephen 'Trip' Hoffman
Name: Stephen 'Trip' Hoffman
Its: Authorized Signatory

COMPANY:

Canopy Monterey Bay, LLC

By: /s/ Stephen 'Trip' Hoffman
Name: Stephen 'Trip' Hoffman
Its: Authorized Signatory

SELLER:

/s/ Cary Stiebel
Cary Stiebel

/s/ Jana Stiebel
Jana Stiebel

/s/ Jayme Rivard
Jayme Rivard

/s/ Adrian Dermicek
Adrian Dermicek

/s/ Laurie Johnson
Laurie Johnson

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SCHEDULE A

JOINT ESCROW INSTRUCTIONS

[to be inserted on subsequent page]

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SCHEDULE B

U.S. ACCREDITED INVESTOR CERTIFICATE

This is a U.S. Accredited Investor Certificate relating to the acquisition of shares of common stock of Body and Mind Inc. (the "Company")

To: BODY AND MIND INC.

This U.S. Accredited Investor Certificate (the "**Certificate**") is being completed in connection with the issuance of MIPA #2 Shares, Additional MIPA #2 Shares, Additional Amendment Shares and Additional True-up Shares, as applicable, (collectively, the "**Securities**") to the undersigned pursuant to the First Amendment to Membership Interest Purchase Agreements entered into between DEP Nevada, Inc., Canopy Monterey Bay, LLC, Cary Stiebel, Jana Stiebel, Jayme Rivard, Adrian Dermicek and Laurie Johnson, dated May __, 2022 (the "**First Amendment**").

The term "**U.S. Person**" means a U.S. person as defined in Regulation S promulgated under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), and includes: (a) any natural person resident in the United States; (b) any partnership or corporation organized or incorporated under the laws of the United States; (c) any trust of which any trustee is a U.S. Person; (d) any partnership or corporation organized outside the United States by a U.S. Person principally for the purpose of investing in securities not registered under the U.S. Securities Act, unless it is organized or incorporated, and owned, by accredited investors (within the meaning assigned in Rule 501(a) of Regulation D promulgated under the U.S. Securities Act) who are not natural persons, estates or trusts; (e) any estate of which any executor or administrator is a U.S. Person. Capitalized terms not specifically defined in this Certificate will have the meaning ascribed to them in the First Amendment to which this Certificate relates.

1. The undersigned covenants, represents and warrants to the Company that it is a U.S. Person and it is an "accredited investor" as defined in Regulation D by virtue of satisfying one or more of the categories indicated in Section 3 below.
2. The undersigned further covenants, represents and warrants to the Company that:
 - (a) it understands that the Securities have not been and will not be registered under the U.S. Securities Act, that the sale contemplated hereby is being made in reliance on the exemption from such registration requirement provided by Rule 506(b) of Regulation D, that as such the Securities will be "restricted securities" within the meaning of Rule 144 under the U.S. Securities Act, and the undersigned is familiar with such rule and understands the resale limitations imposed thereby and the U.S. Securities Act;
 - (b) it acknowledges that it has not acquired the Securities as a result of any form of "general solicitation" or "general advertising" (as such terms are defined in Regulation D under the U.S. Securities Act), including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio, television or the Internet, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising;
 - (c) acknowledges that it has not acquired the Securities as a result of, and will not itself engage in, any "directed selling efforts" (as defined in Regulation S under the U.S. Securities Act) in the United States in respect of the Securities which would include any activities undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for the resale of such Securities;
 - (d) it understands and agrees that there may be material tax consequences to the undersigned of an acquisition, disposition or exercise of any of the Securities. The Company gives no opinion and makes no representation with respect to the tax consequences to the undersigned under United States, state, local or foreign tax law of the undersigned's acquisition or disposition of such Securities. In particular, no determination has been made whether the Company will be a "passive foreign investment company" ("**PFIC**") within the meaning of Section 1297 of the United States Internal Revenue Code;

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- (e) it understands and acknowledges that upon the issuance thereof, and until such time as the same is no longer required under the applicable requirements of the U.S. Securities Act or applicable state securities laws and regulations, the certificates, or an ownership statement issued under a direct registration system or other electronic book-entry system, representing the Securities will bear a legend in substantially the following form:

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”) OR APPLICABLE STATE SECURITIES LAWS. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, OR PURSUANT TO AN EXEMPTION OR EXCLUSION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

provided, however, if any Securities are being sold, the legend may be removed by delivery to the registrar and transfer agent and the Company of an opinion of counsel, of recognized standing reasonably satisfactory to the Company, that such legend is no longer required under applicable requirements of the U.S. Securities Act or state securities laws.

- (f) the undersigned acknowledges that the certificates representing the Securities will bear a legend in substantially the following form:

“UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE *[insert the date that is 4 months and a day after the distribution date].*”

- (g) it is a resident of the state or other jurisdiction listed in its address as indicated below the undersigned’s signature hereto;
- (h) it has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Securities and it is able to bear the economic risk of loss of its entire investment;
- (i) the Company has provided to it the opportunity to ask questions and receive answers concerning the terms and conditions of the offering and it has had access to such information concerning the Company as it has considered necessary or appropriate in connection with its investment decision to acquire the Securities;
- (j) it is acquiring the Securities for its own account, for investment purposes only and not with a view to any resale, distribution or other disposition of such Securities in violation of the United States securities laws;
- (k) if it decides to offer, sell or otherwise transfer any of such Securities, it will not offer, sell or otherwise transfer any of such Securities directly or indirectly, unless
- (i) the sale is to the Company;
 - (ii) the sale is made outside the United States in a transaction meeting the requirements of Rule 904 of Regulation S under the U.S. Securities Act and in compliance with applicable local laws and regulations;
 - (iii) the sale is made pursuant to the exemption from the registration requirements under the U.S. Securities Act provided by Rule 144 thereunder and in accordance with any applicable state securities or “Blue Sky” laws; or

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- (iv) the Securities are sold in a transaction that does not require registration under the U.S. Securities Act or any applicable state laws and regulations governing the offer and sale of securities;

and, in the case of clauses (iii) or (iv) above, it has prior to such sale furnished to the Company an opinion of counsel or other evidence of exemption in form and substance reasonably satisfactory to the Company;

- (l) it understands that the Company is not obligated to file and has no present intention of filing with the U.S. Securities and Exchange Commission or with any state securities administrators any registration statement in respect of resales of the Securities in the United States; and
- (m) it understands and acknowledges that the Company was previously a “shell company” as such term is defined in Rule 405 under the U.S. Securities Act and that if the Company is not in compliance with the requirements of Rule 144(i)(2) under the U.S. Securities Act that Rule 144 may not be available for resales of the Securities.

3. The undersigned further covenants, represents and warrants to the Company that it qualifies as an “accredited investor” as defined in Regulation D by virtue of satisfying one or more of the categories *(please place your initials on the appropriate line(s) 1 through 23 below)*:

- _____ Category 1. A bank, as defined in Section 3(a)(2) of the U.S. Securities Act, whether acting in its individual or fiduciary capacity; or
- _____ Category 2. A savings and loan association or other institution as defined in Section 3(a)(5)(A) of the U.S. Securities Act, whether acting in its individual or fiduciary capacity; or
- _____ Category 3. A broker or dealer registered pursuant to Section 15 of the United States Securities Exchange Act of 1934, as amended; or
- _____ Category 4. An investment adviser registered pursuant to section 203 of the Investment Advisers Act of 1940 or registered pursuant to the laws of a state; or
- _____ Category 5. An investment adviser relying on the exemption from registering with the United States Securities and Exchange Commission (the “**Commission**”) under section 203(l) or (m) of the Investment Advisers Act of 1940; or
- _____ Category 6. An insurance company as defined in Section 2(a)(13) of the U.S. Securities Act; or
- _____ Category 7. An investment company registered under the United States Investment Corporation Act of 1940; or
- _____ Category 8. A business development company as defined in Section 2(a)(48) of the United States Investment Corporation Act of 1940; or
- _____ Category 9. A small business investment company licensed by the U.S. Small Business Administration under Section 301 (c) or (d) of the United States Small Business Investment Act of 1958; or
- _____ Category 10. A rural business investment company as defined in section 384A of the Consolidated Farm and Rural Development Act; or
- _____ Category 11. A plan established and maintained by a state, its political subdivisions or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, with total assets in excess of US\$5,000,000; or

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- _____ Category 12. An employee benefit plan within the meaning of the United States Employee Retirement Income Security Act of 1974 in which the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company or registered investment adviser, or an employee benefit plan with total assets in excess of US\$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons who are U.S. Accredited Investors; or
- _____ Category 13. A private business development company as defined in Section 202(a)(22) of the United States Investment Advisers Act of 1940; or
- _____ Category 14. An organization described in Section 501(c)(3) of the United States Internal Revenue Code of 1986, as amended, a corporation, a limited liability company, a Massachusetts or similar business trust, a partnership, or limited liability company, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of US\$5,000,000; or
- _____ Category 15. Any director or executive officer of the Company; or
- _____ Category 16. A natural person (including an IRA (Individual Retirement Account) owned by such person) whose individual net worth, or joint net worth with that person's spouse or spousal equivalent (being a cohabitant occupying a relationship generally equivalent to that of a spouse), excluding the value of that person's primary residence net of any mortgage obligation secured by the property, exceeds US\$ 1,000,000 (**note:** for the purposes of calculating net worth: (i) the person's primary residence shall not be included as an asset; (ii) indebtedness that is secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time of the sale of the securities, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of the sale of the securities exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability); (iii) indebtedness that is secured by the person's primary residence in excess of the estimated fair market value of the primary residence shall be included as a liability; (iv) for the purposes of calculating joint net worth of the person and that person's spouse or spousal equivalent, (A) joint net worth can be the aggregate net worth of the investor and spouse or spousal equivalent, and (B) assets need not be held jointly to be included in the calculation; and (v) reliance by the person and that person's spouse or spousal equivalent on the joint net worth standard does not require that the securities be purchased jointly); or
- _____ Category 17. A natural person (including an IRA (Individual Retirement Account) owned by such person) who had an individual income in excess of US\$200,000 in each of the two most recent years or joint income with that person's spouse or spousal equivalent in excess of US\$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year; or
- _____ Category 18. A trust, with total assets in excess of US\$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) under the U.S. Securities Act; or
- _____ Category 18a. A revocable trust which may be revoked or amended by its settlors (creators), each of whom is a U.S. Accredited Investor (**note:** if this category is selected, you must furnish a supplementary representation letter from each settlor confirming how such settlor qualifies as a U.S. Accredited Investor); or
- _____ Category 19. Any entity in which all of the equity owners meet the requirements of at least one of the above categories.

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If you checked Category 19, please indicate the name and category of U.S Accredited Investor (by reference to the applicable number in this section 2(e)) of each equity owner:

Name of Equity Owner	Category of U.S. Accredited Investor

Note: It is permissible to look through various forms of equity ownership to natural persons in determining the U.S. Accredited Investor status of entities under this category. If those natural persons are themselves U.S. Accredited Investors, and if all other equity owners of the entity seeking U.S. Accredited Investor status are U.S. Accredited Investors, then this category will be available.

_____ Category 20. An entity, of a type not listed in Categories 1-14, 18 or 19, not formed for the specific purpose of acquiring the securities offered, owning investments in excess of US\$5,000,000 (**note:** for the purposes of this Category 20, “investments is defined in Rule 2a51-1(b) under the Investment Company Act of 1940); or

_____ Category 21. A natural person holding in good standing one or more of the following professional certifications or designations or credentials from an accredited educational institution that the Commission has designated as qualifying an individual for U.S. Accredited Investor status, including an IRA (Individual Retirement Account) owned by such person: The General Securities Representative license (Series 7), the Private Securities Offerings Representative license (Series 82), and the Licensed Investment Adviser Representative (Series 65); or

_____ Category 22. A “family office,” as defined in rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940: (i) with assets under management in excess of US\$5,000,000, (ii) that is not formed for the specific purpose of acquiring the securities offered, and (iii) whose prospective investment is directed by a person (a “**Knowledgeable Family Office Administrator**”) who has such knowledge and experience in financial and business matters that such family office is capable of evaluating the merits and risks of the prospective investment; or

_____ Category 23. A “family client,” as defined in rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940, of a family office meeting the requirements set forth in Category 23 above and whose prospective investment in the Company is directed by such family office with the involvement of the Knowledgeable Family Office Administrator.

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The foregoing representations, warranties and covenants are true and accurate as of the date of this Certificate.

Dated: _____, 2022.

X _____
Signature

Name of witness (if undersigned is an individual)

Name of undersigned (**please print**)

Signature of witness

Name of authorized signatory (**please print**)

Official capacity of authorized signatory (**please print**)

Address of undersigned (**please print**)

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SCHEDULE C
ADDITIONAL SHARES

“Initial Amendment Shares”

Seller	Amount of Initial Amendment Shares to be issued:
Cary Stiebel	
Jana Stiebel	
Jayne Rivard	
Adrian Dermicek	
Laurie Johnson	

“Additional Amendment Shares”

Seller	Amount of Additional Amendment Shares to be issued:
Cary Stiebel	
Jana Stiebel	
Jayne Rivard	
Adrian Dermicek	
Laurie Johnson	

SELLER:

Cary Stiebel

Jana Stiebel

Jayme Rivard

Adrian Dermicek

Laurie Johnson

Schedule C
LEGAL_39171884.1

SCHEDULE D
ADDITIONAL TRUE-UP SHARES

“Additional True-up Shares”

Seller	Amount of Additional True-up Shares to be retitled:
Cary Stiebel	
Jana Stiebel	
Jayme Rivard	
Adrian Dermicek	
Laurie Johnson	

SELLER:

Cary Stiebel

Jana Stiebel

Jayme Rivard

Adrian Dermicek

Laurie Johnson

Schedule D
LEGAL_39171884.1

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: June 21, 2022

/s/ Michael Mills

Michael Mills, President and CEO
(Principal Executive Officer)

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: June 21, 2022

/s/ Dong Shim

Dong H. Shim, CFO

(Principal Financial Officer and Principal Accounting Officer)

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

In connection with the Quarterly Report on Form 10-Q (the "Report") of Body and Mind Inc. (the "Company") for the quarter ended April 30, 2022, 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: June 21, 2022

/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.