

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **January 31, 2024**

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)

V6E2M6

(Zip code)

(800)361-6312

(Registrant's telephone number, including area code)

None

(Former name, former address, and former fiscal year, if changed since last report)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark 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: 147,686,393 shares of common stock outstanding as of March 25, 2024.

BODY AND MIND INC.
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PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Body and Mind Inc.

Statement 1

Condensed Consolidated Balance Sheets

(U.S. Dollars)

	As of 31 January 2024 (unaudited)	As of 31 July 2023
ASSETS		
Current		
Cash	\$ 1,455,250	\$ 1,460,311
Accounts receivable, net	34,205	27,234
Other amounts receivable (Note 5)	1,850,000	-
Interest receivable on convertible loan (Note 8)	330,000	294,000
Prepays	457,328	448,341
Inventory (Note 7)	643,675	909,875
Assets held for sale – discontinued operations (Note 21)	1,035,798	6,290,210
Total Current Assets	5,806,256	9,429,971
Deposit (Note 6)	811,941	72,617
Convertible loan receivable (Note 8)	1,909,834	1,700,411
Property and equipment, net (Note 10)	1,673,861	1,827,215
Operating lease right-of-use assets (Note 15)	4,133,426	4,329,634
Brand and licenses, net (Note 12)	3,663,101	3,849,932
TOTAL ASSETS	\$ 17,998,419	\$ 21,209,780
LIABILITIES		
Current		
Bank overdraft	\$ -	\$ 509,937
Accounts payable	2,908,512	2,499,181
Accrued liabilities	480,015	462,025
Income taxes payable	4,710,116	1,758,267
Due to related parties (Note 13)	75,662	93,481
Loans payable (Note 14)	473,724	166,001
Current portion of operating lease liabilities (Note 15)	894,280	980,265
Liabilities related to assets held for sale – discontinued operations (Note 21)	2,225,705	2,260,953
Total Current Liabilities	11,768,014	8,730,110
Long-term operating lease liabilities (Note 15)	6,214,830	6,801,711
Loans payable (Note 14)	2,300,000	7,779,659
Convertible debentures – related parties, net (Note 14)	2,540,225	2,480,522
Income taxes payable	4,945,129	4,757,387
TOTAL LIABILITIES	27,768,198	30,549,389
STOCKHOLDERS' DEFICIT		
Capital Stock – Statement 3 (Note 16)		
Authorized:		
900,000,000 Common Shares – Par Value \$0.0001		
Issued and Outstanding:		
4,986,000 (31 July 2023 – 146,636,974) Common Shares	14,498	14,663
Additional paid-in capital	55,111,504	55,057,531
Accumulated other comprehensive income	1,003,574	1,482,567
Accumulated Deficit	(66,999,195)	(66,829,507)
TOTAL STOCKHOLDERS' DEFICIT ATTRIBUTABLE TO BAM STOCKHOLDERS	(10,869,619)	(10,274,746)
NON-CONTROLLING INTEREST	1,099,840	935,137
TOTAL STOCKHOLDERS' DEFICIT	(9,769,779)	(9,339,609)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 17,998,419	\$ 21,209,780

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

Body and Mind Inc.
Condensed Consolidated Statements of Operations and Comprehensive Loss (unaudited)
(U.S. Dollars)

	Three Month Period Ended		Six Month Period Ended	
	31 January		31 January	
	2024	2023	2024	2023
Sales	\$ 4,428,660	\$ 4,433,607	\$ 8,986,886	\$ 9,066,119
Cost of sales	(2,406,264)	(2,662,797)	(4,896,651)	(5,566,615)
Gross profit	2,022,396	1,770,810	4,090,235	3,499,504
Operating Expenses				
Accounting and legal	254,128	439,724	630,401	663,669
Business development	-	243,098	2,759	414,258
Consulting fees	289,718	162,891	459,882	403,367
Depreciation and amortization	96,039	269,811	192,081	539,622
Lease expense	179,879	287,555	507,619	497,654
Licenses, utilities and office administration	999,328	845,112	2,136,276	1,693,495
Management fees	141,888	132,252	230,062	203,957
Salaries and wages	905,495	823,794	1,847,937	1,626,168
Total Operating Expenses	(2,866,475)	(3,204,237)	(6,007,017)	(6,042,190)
Net Operating Loss	(844,079)	(1,433,427)	(1,916,782)	(2,542,686)
Other Income (Expenses)				
Foreign exchange, net	(1,268)	199	(1,268)	2,166
Gain on fair value adjustment of convertible loan <i>(Note 8)</i>	97,269	-	209,423	-
Interest expense	(211,597)	(424,480)	(2,071,105)	(805,660)
Interest income	18,000	18,000	36,000	36,000
Loss on impairment of equipment <i>(Note 10 and 15)</i>	-	-	(124,649)	-
Other income	9,215	47,959	16,003	59,688
Total Other Expenses	(88,381)	(358,322)	(1,935,596)	(707,806)
Net Loss from Continuing Operations Before Income Tax	\$ (932,460)	\$ (1,791,749)	\$ (3,852,378)	\$ (3,250,492)
Income tax expense	(532,459)	(370,467)	(1,363,515)	(746,946)
Net Loss from Continuing Operations	(1,464,919)	(2,162,216)	(5,215,893)	(3,997,438)
Discontinued Operations				
Net loss from discontinued operations, net of tax	(992,264)	(578,832)	(1,136,140)	(1,696,405)
Gain on sale of NMGOH 1, LLC, net of tax	-	-	4,058,665	-
Gain on sale of NMG, net of tax	2,288,383	-	2,288,383	-
Net Loss	(168,800)	(2,741,048)	(4,985)	(5,693,843)
Other Comprehensive Loss				
Foreign currency translation adjustment	(109,791)	(10,342)	(478,993)	(80,402)
Comprehensive Loss	\$ (278,591)	\$ (2,751,390)	\$ (483,978)	\$ (5,774,245)
Net income (loss) from continuing operations attributable to:				
Body and Mind Inc.	(1,549,954)	(2,267,287)	(5,380,596)	(4,204,555)
Non-controlling interest	85,035	105,071	164,703	207,117
Net income (loss) attributable to:				
Body and Mind Inc.	(253,835)	(2,846,119)	(169,688)	(5,900,960)
Non-controlling interest	85,035	105,071	164,703	207,117
Comprehensive income (loss) attributable to:				
Body and Mind Inc.	(363,626)	(2,856,461)	(648,681)	(5,981,362)
Non-controlling interest	85,035	105,071	164,703	207,117
Income (Loss) per share attributable to Body and Mind Inc. – Basic and Diluted				
Continuing Operations	\$ (0.01)	\$ (0.02)	\$ (0.04)	\$ (0.03)
Discontinued Operations	\$ 0.01	\$ (0.00)	\$ 0.04	\$ (0.01)
	\$ 0.00	\$ (0.02)	\$ 0.00	\$ (0.04)
Weighted Average Number of Shares Outstanding - Continuing operations				
Basic and Diluted	145,524,361	130,841,727	146,080,668	122,255,170
Weighted Average Number of Shares Outstanding - Discontinuing operations				
Basic and Diluted	145,524,361	130,841,727	146,080,668	122,255,170

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

Condensed Consolidated Statements of Changes in Stockholders' Equity (Deficit) (unaudited)

(U.S. Dollars)

	Share Capital		Additional paid-in capital	Shares to be issued	Accumulated Other comprehensive income	Accumulated Deficit	Non- controlling interest	Total
	Common Shares							
	Number	Amount						
Balance – 31 July 2023	146,636,974	\$ 14,663	\$55,057,531	\$ -	\$ 1,482,567	\$ (66,829,507)	\$ 935,137	\$ (9,339,609)
Stock-based compensation (Note 16)	-	-	35,343	-	-	-	-	35,343
Foreign currency translation adjustment	-	-	-	-	(369,202)	-	-	(369,202)
Net income	-	-	-	-	-	84,147	79,668	163,815
Balance – 31 October 2023	146,636,974	\$ 14,663	\$55,092,874	\$ -	\$ 1,113,365	\$ (66,745,360)	\$ 1,014,805	\$ (9,509,653)
Shares returned to Treasury related to investment in GLDH	(1,650,974)	(165)	165	-	-	-	-	-
Stock-based compensation (Note 16)	-	-	18,465	-	-	-	-	18,465
Foreign currency translation adjustment	-	-	-	-	(109,791)	-	-	(109,791)
Net loss	-	-	-	-	-	(253,835)	85,035	(168,800)
Balance – 31 January 2024	144,986,000	\$ 14,498	\$55,111,504	\$ -	\$ 1,003,574	\$ (66,999,195)	\$ 1,099,840	\$ (9,769,779)
Balance – 31 July 2022	113,668,613	\$ 11,366	\$52,344,573	\$ 1,853,403	\$ 1,224,093	\$ (45,803,026)	\$ 475,010	\$ 10,105,419
Stock-based compensation (Note 16)	-	-	32,458	-	-	-	-	32,458
Foreign currency translation adjustment	-	-	-	-	(70,060)	-	-	(70,060)
Net loss	-	-	-	-	-	(3,054,841)	102,046	(2,952,795)
Balance – 31 October 2022	113,668,613	\$ 11,366	\$52,377,031	\$ 1,853,403	\$ 1,154,033	\$ (48,857,867)	\$ 577,056	\$ 7,115,022
Common stock issued in acquisition of Canopy	16,301,694	1,630	1,851,773	(1,853,403)	-	-	-	-
Common stock issued in merger of CraftedPlants NJ	16,666,667	1,667	(1,667)	-	-	-	-	-
Warrants issued in convertible debentures financing	-	-	592,159	-	-	-	-	592,159
Stock-based compensation (Note 16)	-	-	22,013	-	-	-	-	22,013
Foreign currency translation adjustment	-	-	-	-	(10,342)	-	-	(10,342)
Net loss	-	-	-	-	-	(2,846,121)	105,071	(2,741,050)
Balance – 31 January 2023	146,636,974	\$ 14,663	\$54,841,309	\$ -	\$ 1,143,691	\$ (51,703,988)	\$ 682,127	\$ 4,977,802

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

Cash Resources Provided By (Used In)	Six Month Period Ended	
	2024	2023
Operating Activities		
Net loss from continuing operations	\$ (5,215,893)	\$ (3,997,438)
Adjustments to reconcile net loss to net cash used in operating activities:		
Accrued interest and accretion	1,246,711	290,649
Accrued interest income	(36,000)	(36,000)
Amortization of intangible assets	186,831	514,826
Operating lease expenses	196,208	497,656
Depreciation	140,525	94,056
Gain on fair value adjustment of convertible loan	(209,423)	-
Loss on impairment of equipment	124,649	-
Stock-based compensation	53,808	54,471
Accounts receivable and prepaids	(1,865,958)	(38,518)
Inventory	266,200	128,602
Deposits	(739,324)	(62)
Trade payables and accrued liabilities	427,321	73,603
Income taxes payable and deferred taxes	1,361,915	1,242,908
Due to related parties	(17,819)	(36,917)
Operating lease liabilities	(672,866)	(537,019)
Cash used in operating activities from continuing operations	(4,753,115)	(1,749,183)
Cash provided by (used in) operating activities from discontinued operations	3,854,293	(403,120)
Cash used in operating activities	(898,822)	(2,152,303)
Investing Activities		
Purchase of property and equipment	(111,820)	-
Net proceeds from loans payable	306,205	548,933
Cash provided by investing activities from continuing operations	194,385	548,933
Cash provided by (used in) investing activities from discontinued operations	8,297,983	(23,508)
Cash provided by investing activities	8,492,368	525,425
Financing Activities		
Payment of bank overdraft	(509,937)	-
(Repayments of) proceeds from loans payable, net	(6,665,149)	10,758
Proceeds from convertible debenture financing	-	3,000,000
Cash (used in) provided by financing activities	(7,175,086)	3,010,758
Effect of exchange rate changes on cash	(478,993)	(80,402)
Cash transferred from assets held for sale	55,472	396,474
Net (Decrease) Increase in Cash	(5,061)	1,699,952
Cash- Beginning of Period	1,460,311	1,431,697
Cash- End of Period	\$ 1,455,250	\$ 3,131,649

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 Financial Statements
For the Six Months ended 31 January 2024
(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
NMG Long Beach LLC (“NMGLB”)	California, USA	100%	18 December 2018
NMG San Diego LLC (“NMGSD”)	California, USA	60%	30 January 2019
NMG Ohio LLC (“NMG Ohio”)	Ohio, USA	100%	27 April 2017
NMG OH P1, LLC (“NMG OH P1”)	Ohio, USA	100%	30 January 2020
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	100%	30 November 2021
NMG CA P1, LLC (“NMG CA P1”)	California, USA	100%	7 January 2020
NMG CA C1, LLC (“NMG CA C1”)	California, USA	100%	7 October 2020
BaM Body and Mind Dispensary NJ, Inc. (“BAM NJ”)	New Jersey, USA	95%	21 December 2022
NMG TX 1 LLC	Texas, USA	100%	22 March 2023
NMG IL4, LLC (“NMG IL4”)	Illinois, USA	100%	25 April 2023

These consolidated financial statements include the Company’s wholly-owned subsidiaries of NMG MI 1, Inc. (“NMG MI 1”), NMG OH 1, LLC (“NMG OH 1”) and Nevada Medical Group LLC (“NMG”) up to the date of disposition on June 13, 2023, on October 17, 2023 and on December 15, 2023, respectively (Note 21). Also see the Consolidated Variable Interest Entity accounting policy in Note 3.

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

2. Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13 “Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. ASU 2016-13 is effective for annual reporting periods, and interim periods within those years beginning after 15 December 2022. The adoption of this amendment did not have a significant impact on the 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 2023 Form 10-K filed with the U.S. Securities and Exchange Commission (“SEC”) on 14 November 2023.

Consolidated Variable Interest Entity

A variable interest entity (“VIE”) is an entity that either (i) has insufficient equity to finance its activities without additional subordinated financial support or (ii) has equity investors who lack the characteristics of a controlling financial interest. A VIE is consolidated by its primary beneficiary. The primary beneficiary has both the power to direct the activities that most significantly impact the VIE economic performance and the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

If the Company determines that it has operating power over an entity and the obligation to absorb losses or receive benefits from such entity, the Company consolidates such entity as a VIE in its capacity as the primary beneficiary, and if the Company determines it does not, then the Company does not consolidate the entity. The Company’s involvement constitutes power that is most significant to the entity when it has unconstrained decision-making ability over key operational functions within the entity.

Assets recognized as a result of consolidating VIEs do not represent additional assets that could be used to satisfy claims against the Company’s general assets. Conversely, liabilities recognized as a result of consolidating VIEs do not represent additional claims on the Company’s general assets; rather, they represent claims against the specific assets of the applicable consolidated VIEs.

During the six months ended 31 January 2024, the Company commenced consolidating Big Stone Farms AR 1, LLC (“Big Stone AR 1”) as a VIE, an Arkansas limited liability company. Also see Note 8.

Accounts receivable

Amounts receivable represents amounts owed from customers for sale of medical and recreational cannabis and sales tax recoverable. Amounts are presented net of the allowance for doubtful accounts, which represents the Company’s best estimate of the amount of probable credit losses in the existing accounts receivable balance. The Company determines the allowance for doubtful accounts based on historical experience and current economic conditions. The Company reviews the adequacy of its allowance for doubtful accounts on a quarterly basis. As of 31 January 2024 and 31 July 2023, the Company has no allowance for doubtful accounts.

Revenue recognition

The Company recognizes revenue from product sales when our customers obtain control of our products. This determination is based on the customer specific terms of the arrangement 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 and cost of goods sold

Inventory only consists of consumables. The Company values its consumables at the lower of the actual costs or its current estimated market value less costs to sell.

Costs incurred during the growing and production process are capitalized as incurred to the extent that cost is less than net realizable value. These costs include materials, labor and manufacturing overhead used in the growing and production processes. The Company capitalizes pre-harvest costs.

The Company periodically reviews its inventory for obsolete and potentially impaired items. Any identified slow moving and obsolete items are written down to its net realizable value through a charge to cost of goods sold. As of 31 January 2024 and 31 July 2023, the Company has no allowance for inventory obsolescence.

Cost of goods sold includes the costs directly attributable to product sales and includes amounts paid for finished goods, such as flower, edibles and concentrates, packaging and other supplies, fees for services and processing, and allocated overhead, such as allocations of rent, administrative salaries, utilities and related costs.

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 had indefinite lives; therefore, no amortization was recognized. The Company's brands and licenses acquired by NMGSD have a finite life of 10 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. Brands acquired by Canopy have indefinite lives.

Impairment of long-lived assets

The Company reviews long-lived assets, including property and equipment and definite life intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the sum of projected undiscounted cash flows is less than the carrying value of the asset group. The measurement of the impairment loss to be recognized is based on the difference between the fair value and the carrying value of the asset group.

Impairment of indefinite-lived assets

Goodwill and indefinite-lived intangible assets are not amortized. Goodwill and indefinite-lived intangible assets are reviewed for impairment annually or more frequently when events or changes in circumstances indicate that fair value of the reporting unit has been reduced to less than its carrying amount in accordance with the provisions of ASC 350, “Intangibles—Goodwill and Other”. The Company performs an impairment test annually by comparing the fair value of the indefinite-lived intangible assets or reporting unit (for goodwill) with its carrying amount. The measurement of the impairment loss to be recognized is based on the amount by which the carrying amount exceeds the reporting unit’s fair value.

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.

The Company recognizes uncertain income tax positions at the largest amount that is more-likely-than-not to be sustained upon examination by the relevant taxing authority. An uncertain income tax position will be recognized if it has less than a 50% likelihood of being sustained. Recognition or measurement is reflected in the period in which the likelihood changes. Any interest and penalties related to unrecognized tax liabilities are presented within income tax expense in the consolidated statements of operations and comprehensive income.

Basic and diluted net income (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. As of 31 January 2024, potential common shares are comprised of 16,146,000 outstanding options that are excluded because they are anti-dilutive, 20,800,000 outstanding warrants and 32,682,740 shares issuable on conversion of convertible debentures.

Comprehensive loss

ASC 220, "Comprehensive Income", establishes standards for the reporting and display of comprehensive income/loss and its components in the consolidated financial statements. As of 31 January 2024 and 31 July 2023, the Company reported foreign currency translation adjustments as other comprehensive income or loss and included a schedule of comprehensive income/loss in the consolidated financial statements.

Foreign currency translation

The Company's functional currency is the Canadian dollar and its reporting currency is in U.S. dollars. The Company's subsidiaries have a functional currency in U.S. dollars. The consolidated financial statements of the Company are translated to U.S. dollars in accordance with ASC 830, "Foreign Currency Matters". Exchange gains and losses on inter-company balances that form part of the net investment in foreign operations are included in other comprehensive income. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. The exchange rates used to translate Canadian dollar to U.S. dollar was 0.7464 for monetary assets and liabilities and 0.7381 as an average rate for transactions occurred during the period ended 31 January 2024. 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.

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.

Non-controlling Interest

Non-controlling interests ("NCI") represent equity interests owned by outside parties. NCI may be initially measured at fair value or at the NCI's proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement is made on a transaction-by-transaction basis. The Company has elected to measure each NCI at its proportionate share of the recognized amounts of the acquiree's identifiable net assets. The share of net assets attributable to NCI are presented as a component of equity. NCI's share of net income or loss is recognized directly in equity. Total income or loss of subsidiaries is attributed to the shareholders of the Company and to the NCI, even if this results in the NCI having a deficit balance.

Assets and liabilities held for sale

The Company classifies assets held for sale in accordance with ASC 360, "Property, Plant and Equipment". When the Company makes the decision to sell an asset or to stop some part of its business, the Company assesses if such assets should be classified as an asset held for sale. To classify as an asset held for sale, the asset or disposal group must meet all of the following conditions: i) management, having the authority to approve the action, commits to a plan to sell the asset, ii) the asset is available for immediate sale in its present condition subject to certain customary terms, iii) an active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated, iv) the sale of the asset is probable and the transfer of the asset is expected to qualify for recognition as a completed sale, within one year, subject to certain exceptions, v) the asset is being actively marketed for sale at a price that is reasonable in relation to its current value, and vi) actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn. Assets held for sale are measured at the lower of their carrying amount or fair value less cost to sell ("FVLCTS"). FVLCTS is the amount obtainable from the sale of the asset in an arm's length transaction, less the costs of disposal. Once classified as held for sale, any depreciation and amortization on an asset cease to be recorded. For long-lived assets or disposals groups that are classified as held for sale but do not meet the criteria for discontinued operations, the assets and liabilities are presented separately on the balance sheet of the initial period in which it is classified as held for sale. The major classes of assets and liabilities classified as held for sale are disclosed in the notes to the consolidated financial statements.

4. Financial Instruments

The following table represents the Company's assets that are measured at fair value as of 31 January 2024 and 31 July 2023:

	As of 31 January 2024	As of 31 July 2023
Financial assets at fair value		
Cash	\$ 1,455,250	\$ 1,460,311
Convertible loan receivable	1,909,834	1,700,411
Total financial assets at fair value	\$ 3,365,084	\$ 3,160,722

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.

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 cash of \$ 1,455,250 and a working capital deficit of \$5,961,758 at 31 January 2024 and the Company may require additional financing to meet all current and future financial obligations which causes substantial doubt about its ability to continue as a going concern for a period of one year from the issuance of these financial statements. Management believes that the Company has access to capital resources through future payments for assets held for sale as well as future payments for assets held for sale as well as potential public or private issuances of debt or equity securities to further contribute to growth.

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. Other amounts receivable

Other amounts receivable consisted of the following as of 31 January 2024 and 31 July 2023:

	31 January 2024	31 July 2023
NMG disposition receivable (Note 21)	\$ 1,750,000	\$ -
NMGOH 1 disposition receivable held in escrow (Note 21)	100,000	-
Total	\$ 1,850,000	\$ -

6. Deposit

The Company's deposit of \$811,941 as of 31 January 2024 (31 July 2023 - \$72,617) consisted of the prepaid architect fees and construction costs for the transaction with NMGIL 1, LLC (Note 11 and 20).

7. Inventory

	31 January 2024	31 July 2023
Consumables	\$ 643,675	\$ 909,875
Total	\$ 643,675	\$ 909,875

8. 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 2024. 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. However, as of March 15, 2024, the management agreement between NMG and CCG ended and was not extended (Note 23).

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 preferred units of CCG that carry 66.7% voting interest, subject to approval of the Arkansas Medical Marijuana Commission.

The Company had advanced \$1,250,000 (31 July 2023 - \$1,250,000) at 31 January 2024, and accrued interest income of \$18,000 (2023 - \$18,000) and \$36,000 (2023 - \$36,000) for the three and six months ended 31 January 2024, respectively. As of 31 January 2024, total interest receivable was \$330,000 (31 July 2023 - \$294,000).

On or around August 22, 2023, DEP assigned the convertible loan agreement to a related entity, Big Stone AR 1, an Arkansas limited liability company, which is wholly owned by the Company's Chief Operating Officer and Director, in exchange for an option to purchase the outstanding interests of Big Stone AR 1 for a purchase price of \$1.00. Big Stone AR 1 was consolidated as a VIE for the period due to the fact that it was controlled by the Company's Chief Operating Officer. See Note 3, Consolidated Variable Interest Entity. The terms of the convertible loan agreement remain the same. On or around September 18, 2023, Big Stone AR 1 exercised the conversion feature of the convertible note and CCG members approved certain actions to allow Big Stone AR 1 to become a member of CCG through preferred units, to elect Big Stone AR 1 as the manager of CCG and to amend the operating agreement. The transfer of ownership as a result of conversion of the Convertible Loan Agreement is before the Arkansas regulator.

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 discounted cash flow model for the straight debt portion uses four different scenarios as follows: The Company discounts the principal amount of \$1,250,000, monthly interest payment of \$6,000 using these four different maturity dates: (1) March 30, 2024, (2) March 30, 2025, (3) March 30, 2026 and (4) March 30, 2027, whereby each scenario is given 25% probability of occurring since the actual conversion date is uncertain. The discount rate used is 22.60%.

The assumptions used in the Black-Scholes Option Pricing Model for the conversion option are as follows: (i) equity price of \$43,169 per unit calculated as BAM's portion of the future projected profits, on a per unit basis, discounted using Weighted Average Cost of Capital of 15%; (ii) exercise price of \$31,250 per unit as there are 40 units in total, (iii) volatility of 102.825% using similar companies and BAM as benchmark, (iv) expected life of 1.70 years and (v) risk-free rate of 4.568%.

The sum of these two valuation models resulted in an estimated fair value of the loan receivable balance of \$1,909,834 as of 31 January 2024. The change in the fair value of the convertible loan receivable has been recorded as a gain on fair value adjustment of convertible loan during the period ended 31 January 2024.

9. Operating loans to CCG

In addition to the convertible loan receivable (Note 8), the Company provides operating loans to CCG that are non-interest bearing, unsecured and due on demand. During the six months ended 31 January 2024, the Company advanced \$393,462 (2023 - \$645,092) to CCG and received repayments totaling \$699,667 (2023 - \$1,194,025) for a net increase in loan payable of \$306,205 (2023 - \$548,933). At 31 January 2024, the amount payable to CCG was \$454,426 (31 July 2023 - \$148,221). See also Note 14.

10. Property and Equipment

	<u>Office Equipment</u>	<u>Production Equipment</u>	<u>Kitchen Equipment</u>	<u>Vault Equipment</u>	<u>Leasehold Improvements</u>	<u>Total</u>
Cost:						
Balance, 31 July 2023	\$ 62,892	\$ 235,685	\$ 22,052	\$ 8,163	\$ 2,150,661	\$ 2,479,453
Additions	-	-	-	-	111,820	111,820
Impairment	-	(235,685)	(22,052)	-	-	(257,737)
Balance, 31 January 2024	<u>62,892</u>	<u>-</u>	<u>-</u>	<u>8,163</u>	<u>2,262,481</u>	<u>2,333,536</u>
Accumulated Depreciation:						
Balance, 31 July 2023	25,705	120,479	12,609	2,914	490,531	652,238
Depreciation	4,529	-	-	588	135,408	140,525
Impairment	-	(120,479)	(12,609)	-	-	(133,088)
Balance, 31 January 2024	<u>30,234</u>	<u>-</u>	<u>-</u>	<u>3,502</u>	<u>625,939</u>	<u>659,675</u>
Net Book Value:						
At 31 July 2023	<u>37,187</u>	<u>115,206</u>	<u>9,443</u>	<u>5,249</u>	<u>1,660,130</u>	<u>1,827,215</u>
At 31 January 2024	<u>\$ 32,658</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,661</u>	<u>\$ 1,636,542</u>	<u>\$ 1,673,861</u>

For the six months ended 31 January 2024, a total depreciation of \$5,250 (2023 - \$24,796) was included in General and Administrative Expenses and a total depreciation of \$135,275 (2023 - \$69,260) was included in Cost of Sales.

During the six months ended 31 January 2024, the Company recorded an impairment loss of \$124,649 related to the production equipment and kitchen equipment.

11. Acquisitions

Canopy Monterey Bay, LLC – Business Acquisition

On 30 November 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 our retail operations.

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 (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 closed in June 2022.

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. This was included as contingent consideration in the purchase price and \$100,000 was recorded in accounts payable at 31 July 2022. 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 1 December 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 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 closed in June 2022.

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 \$2.5 million to \$1.25 million and the Company will issue \$1.25 million in 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"), which equates to 9,328,358 shares of common stock. 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") which equates to 4,734,530 shares of common stock. 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 \$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. This \$100,000 was recorded as consulting fees for the year ended 31 July 2022. Furthermore, DEP shall cause the Company to issue to Mr. Stiebel \$300,000 worth of shares of common stock of the Company within three (3) days following the Effective Date of this First Amendment, and subject to compliance with the policies of the CSE (the "Additional True up Shares") which equates to 2,238,806 shares of common stock. 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.

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On December 7, 2022, pursuant to the previously announced (i) membership interest purchase agreement (“MIPA #1”), dated November 30, 2021, as amended on June 17, 2022, entered into between the Company’s wholly-owned subsidiary, DEP Nevada, Inc. (“DEP”), Canopy Monterey Bay, LLC (“Canopy”) and the membership interest owners of Canopy, Carey Stiebel (the “Continuing Owner”), Jana Stiebel, Jayme Rivard, Adrian Dermicek and Laurie Johnson (collectively, the “Sellers”) to purchase eighty percent (80%) of the issued and outstanding membership interests of Canopy, and (ii) membership interest purchase agreement (“MIPA #2”), dated November 30, 2021, as amended on June 17, 2022, entered into between DEP and the Continuing Owner to purchase the remaining twenty percent (20%) of the issued and outstanding membership interests of Canopy, the Company through DEP completed the acquisition of all of the membership interests of Canopy from the Sellers and closed MIPA #1, as amended, and MIPA #2, as amended.

Pursuant to the closing of MIPA #1, as amended, and MIPA #2, as amended, the Company issued an aggregate of 16,301,694 shares of common stock to the Sellers in accordance with their instructions at a deemed price of US\$0.134 per share. 2,238,806 of the 16,301,694 shares are being held in escrow pending the results of a working capital adjustment in accordance with MIPA #1 and MIPA #2.

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 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 Canopy made by the Company:

Purchase consideration	
Cash	\$ 1,250,000
Promissory note	2,300,000
Shares of common stock (Note 16)	2,189,544
Contingent consideration	100,000
Total consideration	5,839,544
Assets acquired:	
Cash	378,503
Prepaid expenses	241,449
Inventory	630,039
Liabilities assumed:	
Trade payable and accrued liabilities	(266,307)
Income taxes payable	(1,229,213)
Net assets acquired	(245,529)
Brand and licenses	1,240,000
Goodwill	4,845,073
TOTAL	\$ 5,839,544

During the year ended 31 July 2022, the Company also recorded a loss on settlement of contingent consideration of \$503,179 resulting from the fair value adjustment of the Company’s shares of common stock that have not been issued at 31 July 2022 and also recorded a consulting fee of \$100,000 to be paid to the sellers in shares that was not included in the purchase consideration.

CraftedPlants NJ Corp (“Merger”) – Asset Acquisition from a Related Party

On December 21, 2022, the Company, its wholly owned subsidiary, DEP Nevada, Inc. (“DEP”), BaM Body and Mind Dispensary NJ Inc., a New Jersey corporation and wholly owned subsidiary of DEP (the “Merger Sub”), CraftedPlants NJ Corp., a New Jersey corporation (the “Surviving Entity”), an entity controlled by a Director of the Company, and those certain shareholders of the Surviving Entity (the “Sellers”) entered into an Agreement and Plan of Merger (the “Merger Agreement”) whereby the Merger Sub merged with and into the Surviving Entity, and following the consummation of the merger, which occurred on December 21, 2022, the Surviving Entity became a wholly owned subsidiary of DEP and changed its name to BaM Body and Mind Dispensary NJ, Inc. (the “Merged Entity”).

CraftedPlants NJ Corp. had a lease in Lawrenceville, New Jersey that was already zoned for cannabis retail store. There is no operational history for CraftedPlants NJ Corp. and is essentially comprised of one operating lease asset. The lease agreement does not include any provision that would revoke the approval for a cannabis retail store in a change of ownership of CraftedPlants NJ. Management is not aware of any laws and regulations that would revoke the zoning approval upon change of ownership. The purpose of the merger is expansion into the New Jersey adult use market through merging with an entity with a lease in New Jersey with local preapproval for an adult us cannabis location. The compensation for merger is contingent on success milestones including granting of pending license approval from the State of New Jersey Cannabis Regulatory Commission and opening of the business as a recreational cannabis dispensary.

The Company also entered into a three-year strategic advisory services agreement with Bengal Impact Partners, LLC (“Bengal Capital”) dated 5 January 2023 (“Bengal Advisory Agreement”). The Company shall pay Bengal Capital \$240,000 on each anniversary, of which \$60,000 is to be paid in cash and \$180,000 is to be paid in cash, common stock, or warrants to purchase shares of the Company’s common stock, in such proportions as are determined by the Company. In addition, if the Company successfully obtains a cultivation license in New Jersey during the term of the Bengal Advisory Agreement, the Company will owe a fee of \$1,000,000, which will be payable in the form of the Company’s common stock or a warrant to purchase shares of the Company’s common stock, in either case as requested by Bengal Capital.

Bengal Catalyst Funds and CraftedPlants NJ Corp were both owned or managed by the principals of the Bengal Capital Group and Bengal Catalyst Fund also participated in the 19 December 2022 convertible debenture financings (Note 14). Joshua Rosen is a managing principal of the Bengal Capital Group and he was involved in both transactions of the convertible note investment and the merger acquisition of Crafted Plants NJ Corp. Joshua Rosen was appointed as a director of the Company effective 1 February 2023, and therefore this transaction is considered a related party transaction.

Pursuant to the terms of the Merger Agreement, on the closing DEP delivered a cash payment of \$50,000 to the Sellers, with a delayed payment of approximately \$120,000 to be paid to the Sellers upon funding of the project buildout which is anticipated to occur after receipt of the New Jersey state license and local construction approvals.

Further, pursuant to the terms of the Merger Agreement, on December 21, 2022, the Company issued to the Sellers an aggregate of 16,666,667 shares of its common stock (the “Merger Consideration Shares”). The Merger Consideration Shares will be held in escrow and will not be released to the Sellers until the Surviving Entity achieves certain milestones, however, the Sellers will still maintain the voting and participation rights with respect to the Merger Consideration Shares while being held in escrow. The post-closing milestones are as follows:

1. If, within two (2) years of the closing date, the Surviving Entity’s application is approved and is granted pending license approval from the New Jersey Cannabis Regulatory Commission (the “CRC”), 70% of the Merger Consideration Shares will be release from escrow.
2. If, within three (3) years of the closing date, the Surviving Entity opens for business as a recreational cannabis dispensary, 30% of the Merger Consideration Shares will be released from escrow.

If either or both of the milestones are not achieved within the time periods after the closing date (the “Milestone Dates”), the Company shall have the option to cancel the Merger Consideration Shares attributable to the failed milestone by delivering written notice to Sellers and in the event of such cancellation, the portion of the Merger Consideration Shares attributable to the failed milestone shall be surrendered and cancelled without any further action required by the parties. Notwithstanding the foregoing, if either or both of the milestones are not achieved (or if it becomes obvious that they will not be achieved) by their respective Milestone Dates because of delays that are not caused by the Sellers, the Sellers may, before the applicable Milestone Dates, provide notice to the Company, and the applicable Milestone Date will be extended to such date as is reasonably necessary for the milestone to be achieved. The parties will work together in mutual good faith to determine the dates by when the milestones can be reasonably achieved. If the Company fails to diligently pursue issuance of the state recreational licenses at any time prior to the second anniversary, and the Company fails to cure such failures in accordance with the Merger Agreement, the Company will owe to Sellers a termination fee equal to 25% of the Merger Consideration Shares.

The likelihood of achieving both milestones is uncertain at this time and, as such, the Company recorded the Merger Consideration Shares at par value.

The acquisition was accounted for as an asset acquisition since the Surviving Entity did not meet the definition of a business in accordance with ASC 805, as it had no outputs and did not have a substantive process that could significantly contribute to the ability to create outputs. In accordance with ASC 805-50 and measurement of share-based payment in ASC 718, the acquisition should be measured on the date on which the acquirer obtains control of the acquiree. The date on which the acquirer obtains control of the acquiree generally is the date on which the acquirer legally transfers the consideration, acquires the assets, and assumes the liabilities of the acquiree.

The Company obtained 100% ownership and control over the Merged Entity and the lease asset on 21 December 2022. The purchase price, as measured on 21 December 2022, was \$170,000 which was included in the lease liability and right-of-use assets calculation for the lease acquired in the State of New Jersey (see Note 15).

On September 22, 2023, DEP sold 5% of the outstanding shares (the “Subject Shares”) of BaM Body and Mind Dispensary NJ, Inc. (“BaM NJ”) to an individual who resides in New Jersey (the “Purchaser”) in exchange for \$1.00, and concurrently therewith, DEP and the Purchaser entered into an option agreement (the “Option”) whereby the Purchaser granted DEP the option to acquire to Subject Shares for the purchase price of \$1.00. In addition, in connection with the sale of the Subject Shares to the Purchaser and the Option, the Purchaser, DEP and BaM NJ entered into a consulting agreement (the “Consulting Agreement”) whereby the Purchaser shall assist BaM NJ with its pre-license matters with the New Jersey Cannabis Regulator Commission and post-license operational matters to maintain the license. Pursuant to the Consulting Agreement, and provided that BaM NJ is issued a commercial cannabis retain license in and from the State of New Jersey, BaM NJ shall pay to the Purchaser an aggregate amount of \$50,000 for the services to be provided by the Purchaser to BaM NJ.

NMG IL 4, LLC – Asset Acquisition from a Related Party

In 2019, the Company's wholly owned subsidiary, DEP Nevada, Inc. ("DEP"), executed definitive agreements with NMG Illinois, LLC ("Management Company"), IL Resident, LLC ("IL Resident"), an entity which is controlled by our social equity partner, and other NMG entities in Illinois, NMG IL 1, LLC ("NMG IL 1") and NMG IL 4, LLC ("NMG IL 4"), in connection with a proposed business combination (the "Transaction"). NMG IL 1 and NMG IL 4 were originally owned by Tall Bird, LLC ("Tall Bird"), a company owned by our social equity partner, and Big Stone, LLC ("Big Stone"), a company controlled by the Company's Chief Operating Officer.

The Transaction with NMG IL 4 expands our retail operation in the limited license jurisdiction and ownership has been transferred to DEP, which is pending state regulatory approval, however, the Company through DEP controls NMG IL 4 and is consolidating the financial information from NMG IL 4 from the opening day of the dispensary on April 25, 2023 as described in more detail below.

- a) DEP entered into a Convertible Credit Facility Agreement (the "Convertible Note") with NMG IL 4 on December 26, 2019 to build-out the facility for up to \$1,500,000 in lieu of converting into 99,900 membership units of NMG IL 4;
- b) DEP also entered into a Membership Interest Purchase Agreement (the "MIPA") on December 26, 2019 with both Tall Bird and Big Stone to purchase the remaining 100 units for \$10 per unit;
- c) Upon receipt of the Illinois license, NMG IL 4 entered into a management agreement with Management Company and would be paid a management fee equal to 30% of net profits;
- d) NMG IL 4 was granted the operational license on April 20, 2023;
- e) On April 25, 2023, DEP converted the Convertible Note for 99,900 units and purchased 100 units for \$1,000 pursuant to the MIPA, after the opening of the Markham dispensary on or about April 25, 2023;
- f) Upon the conversion, DEP obtained 100% ownership (or 100,000 units) of NMG IL 4, subject to regulatory approval (approved);
- g) The Management Agreement has been dissolved concurrently with the conversion, in the meanwhile, the Company took control of operations of NMG IL 4.

The acquisition of NMG IL 4 was accounted for as an asset acquisition with a related party since NMG IL 4 did not meet the definition of a business in accordance with ASC 805.

The purchase price, as measured on 25 April 2023, was \$995,035 in advances under the Convertible Note.

The following table summarizes the assets acquired and the liabilities assumed:

Assets acquired:	
Cash	100,707
Prepaid and deposits	70,230
Inventory	194,075
Property and equipment	918,492
Liabilities assumed:	
Trade payable and accrued liabilities	(288,469)
Net assets acquired	\$ 995,035

As the acquisition of NMG IL 4 was from a related party, the Company did not recognize any fair value increase in assets acquired or liabilities assumed, nor recognized any intangible assets. The excess of the amount paid over the fair value of the net assets acquired was included in Business Development expenses during the period NMG IL 4 was acquired.

12. Intangible Assets, Net

	Gross carrying amount	Weighted average life (years)	As of 31 January 2024	
			Accumulated amortization	Net carrying amount
Indefinite life intangible assets:				
Brand	\$ 220,000	-	\$ -	\$ 220,000
Amortizable intangible assets:				
Licenses	4,683,508	10.0	(1,240,407)	3,443,101
Total intangible assets	\$ 4,903,508		\$ (1,240,407)	\$ 3,663,101
	Gross carrying amount	Weighted average life (years)	As of 31 July 2023	
			Accumulated amortization	Net carrying amount
Indefinite life intangible assets:				
Brand	\$ 220,000	-	\$ -	\$ 220,000
Amortizable intangible assets:				
Licenses	4,683,508	10.0	(1,053,576)	3,629,932
Total intangible assets	\$ 4,903,508		\$ (1,053,576)	\$ 3,849,932

Amortization expense for intangible assets was \$186,831 (2023 - \$514,826) for the six months ended 31 January 2024.

The expected amortization of the intangible assets, as of 31 January 2024, for each of the next five years and thereafter is as follows:

2024	\$ 184,800
2025	370,616
2026	370,616
2027	370,616
2028	371,632
Thereafter	1,774,821
	<u>\$ 3,443,101</u>

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 six months ended 31 January 2024 and 2023 are as follows:

	For the three months ended 31 January 2024	For the three months ended 31 January 2023	For the six months ended 31 January 2024	For the six months ended 31 January 2023
A company controlled by the President, Chief Executive Officer and a director Management fees	\$ 87,046	\$ 52,290	\$ 143,254	\$ 107,221
A company controlled by the Chief Financial Officer and a director Management fees	54,842	30,000	86,808	62,363
A company controlled by the former Corporate Secretary Management fees	-	16,241	-	34,373
	<u>\$ 141,888</u>	<u>\$ 98,531</u>	<u>\$ 230,062</u>	<u>\$ 203,957</u>

At 31 January 2024, amounts owing to related parties of \$75,662 (31 July 2023 - \$93,481) are as follows:

- a) As of 31 January 2024, the Company owed \$62,029 (31 July 2023 - \$61,777) to the Chief Executive Officer of the Company and a company controlled by him.
- b) As of 31 January 2024, the Company owed \$Nil (31 July 2023 - \$31,704) to the Chief Operating Officer.
- c) As of 31 January 2024, the Company owed \$13,633 (31 July 2023 - \$Nil) to the Chief Financial Officer of the Company and a company controlled by him.
- d) See also Note 11 for merger agreement and Note 14 for convertible debentures financing with entities controlled by the Company's Director.
- e) See also Note 11 for the acquisition of NMGIL 4.
- f) The Company is committed to pay a commission fee of 2.5% of the transaction total to Bengal Impact Partners LLC, a company controlled by Josh Rosen, in connection with the disposition of NMG OH 1 (Note 21).

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

14. Loans Payable and Convertible Debenture

As of 31 January 2024 and 31 July 2023, the following loans payable are outstanding:

	31 January 2024	31 July 2023
FocusGrowth loan	\$ -	\$ 6,666,667
Long Beach loan	4,173	10,728
CCG loan	454,426	148,221
Canopy loan		
Secured promissory note	2,300,000	2,300,000
Unsecured loan balance	15,125	7,052
Total principal amount	\$ 2,773,724	\$ 9,132,668
Debt discount	-	(1,187,008)
Outstanding balance, net	\$ 2,773,724	\$ 7,945,660
Current portion	(473,724)	(166,001)
Long-term portion	\$ 2,300,000	\$ 7,779,659

Focus Growth loan

On 19 July 2021, the Company entered into and closed a loan agreement (the “Loan Agreement”) with FG Agency Lending LLC (the “Agent”) and Bonind 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 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 was held in escrow to be 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. The Company did not draw on the Delayed Draw Term Loan, and the warrants were cancelled.

The Company also paid agent fees, legal fees and other fees in the amount of \$175,758. The 4,800,000 Warrants had a relative fair value of \$1,037,146 and when combined with the \$175,758 in fees and the \$666,667 origination discount, resulted in a debt discount of \$1,883,901.

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.

On 15 June 2022, the Company entered into a second amendment to the Loan Agreement (“Amendment No. 2 to Loan Agreement”) 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 was subject to compliance with certain provisions in Loan Agreement including provision of a satisfactory budget approved at the sole discretion of the Lender. The Company did not draw or extend the Delayed Draw Term Loan and has expired.

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.

The Amendment No. 2 to Loan Agreement was accounted for as a modification consistent with ASC 470-50, Debt Modification, where the lender fees, including 1,000,000 additional common stock purchase warrants valued at \$79,585 and the exit fee of \$100,000, are capitalized as additional debt discount and amortized as par to the effective yield.

On December 12, 2022, the Company, the Guarantors (collectively, the “Loan Parties”) the Agent and the Lender entered into a Limited Waiver and Amendment to Loan Agreement (the “Limited Waiver and Amendment to Loan Agreement”) to deal with certain events of default that occurred under the Loan Agreement, as amended, with respect to (i) the Company’s failure to deliver to Agent the audited annual financial statements of the Company and its subsidiaries for the fiscal year ended July 31, 2022, on or before ninety (90) days after the end of such fiscal year in accordance with Section 7.2(c) of the Loan Agreement (the “First Specified Default”) and (ii) the Agent being informed that the Company anticipates that it will fail to deliver the quarterly financial statements of the Company and its subsidiaries for the fiscal quarter ending October 31, 2022, in form and substance acceptable to Agent, on or before forty-five (45) days after the end of such fiscal quarter, in accordance with Section 7.2(b) (the “Second Specified Default”, and together with the First Specified Default, the “Specified Defaults”).

Pursuant to the Limited Waiver and Amendment to Loan Agreement, the Agent and the Lender each waive the Specified Defaults on a limited one-time basis subject to the terms and conditions thereof until (i) with respect to the First Specified Default, 5:00 PM EST on December 30, 2022, and (ii) with respect to the Second Specified Default, 5:00 PM EST on January 13, 2023 (the “Waiver Period”); provided that if the Loan Parties do not deliver each of the Amended Deliverables (as defined below) on or before expiration of their respective Waiver Period; the waiver shall no longer be of any effect, and the Lender shall be entitled to enforce all remedies set forth in the Loan Agreement as of the date each Specified Default first occurred.

Subsequent to entering into the Limited Waiver and Amendment to Loan Agreement, the parties verbally agreed and confirmed via email on December 20, 2022, that Waiver Period for the First Specified Default shall be extended from December 30, 2022 to January 17, 2023, and the Waiver Period for the Second Specified Default shall be extended from January 13, 2023 to January 27, 2023; and that the corresponding amendments shall be made to sections 7.2(b) and 7.2(c) of the Loan Agreement as set forth above.

During the six months ended 31 January 2024, in connection with the disposition of NMGOH 1 (Note 21), the Company fully repaid the loan in the amount of \$7,335,722, which included the principal balance of \$6,666,666, accrued interest of \$326,512, and prepayment premium of \$342,543 included in interest expense on the consolidated statements of operations and comprehensive loss.

During the six months ended 31 January 2024, the Company recorded interest expense of \$1,415,504 related to this loan, which included \$1,187,008 of unamortized debt discount fully recognized during the period.

Long Beach loan

The loan payable at 31 January 2024 in the amount of \$4,173 (31 July 2023 - \$10,728) assumed from NMGLB is unsecured, non-interest bearing and has no set terms of repayment.

Canopy loan

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 bearing interest at a rate of 10% per annum compounded annually and having a maturity date of 30 November 2026. 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 loan payable at 31 January 2024 in the amount of \$15,125 (31 July 2023 - \$7,052) assumed from Canopy is unsecured, non-interest bearing and has no set terms of repayment.

CCG loan

The Company received operating loans from CCG that are non-interest bearing, unsecured and due on demand. During the six months ended 31 January 2024, the Company advanced \$393,462 (2023 - \$645,092) to CCG and received repayments totaling \$699,667 (2023 - \$1,194,025) for a net increase in loan payable of \$306,205 (2023 - \$548,933). At 31 January 2024, the amount payable to CCG was \$454,426 (31 July 2023 - \$148,221). See also Note 9.

Big Stock AR 1 exercised the conversion feature of the convertible note in September 2023, which is subject to approval by the State of Arkansas Department of Finance and Administration Alcoholic Beverage Control. See also Note 8.

Convertible Debenture Financing – Related Parties

As of 31 January 2024 and 31 July 2023, the following convertible debentures are outstanding:

	31 January 2024	31 July 2023
BAM I, A Series of Bengal Catalyst Fund SPV, LP (related party – Note 11)	\$ 2,750,000	\$ 2,750,000
Mindset Value Fund LP	150,000	150,000
Mindset Value Wellness Fund LP	100,000	100,000
Total principal amount	\$ 3,000,000	\$ 3,000,000
Debt discount	(459,775)	(519,478)
Outstanding balance, net	\$ 2,540,225	\$ 2,480,522

On December 19, 2022, the Company entered into Securities Purchase Agreements (“SPAs”) with each of BAM I, A Series of Bengal Catalyst Fund SPV, LP, a Delaware limited partnership, an entity which is controlled by a Company Director, Mindset Value Fund LP, a Delaware limited partnership, and Mindset Value Wellness Fund LP, a Delaware limited partnership (collectively, the “Investors”) pursuant to which the Company issued to the Investors unsecured five-year convertible debentures in the aggregate principal amount of US\$3,000,000 (the “Debentures”) bearing interest at 8% per annum, compounded annually, and common stock purchase warrants (the “Warrants”) to acquire 15,000,000 shares of common stock of the Company (each, a “Warrant Share”). The proceeds from the sale of the Debentures and the Warrants will be used for business development purposes.

In addition, pursuant to the SPAs, following the closing and until the later of (a) the repayment or conversion of the Debentures, and (b) Bengal Impact Partners, LLC (“Bengal Capital”) (or any of its affiliates) ceasing to own at least 10% of the issued and outstanding shares of common stock on an as-converted basis in the aggregate, Bengal Capital shall be entitled to nominate one (1) director to the Company’s Board and one (1) Board observer, provided that the nominee director must meet the requirements of applicable corporate, securities and other applicable laws, and the policies of the Canadian Securities Exchange. Joshua Rosen was appointed to the Board of Directors on 1 February 2023. Bengal Capital and CraftedPlants NJ Corp. were both owned and managed by the principals of the Bengal Capital. As Joshua Rosen is a managing principal of the Bengal Capital Group, he was involved in both transactions of the convertible note investment and the merger acquisition of Crafted Plants NJ.

The Debentures have a maturity date of December 19, 2027 (the “Maturity Date”) and the accrued interest shall be payable on the Maturity Date. The Investors have the right at any time prior to the Maturity Date, to convert all or any portion of the principal amount and/or any interest amount, into shares of common stock of the Company at US\$0.10 per share, subject to customary adjustments, and subject to a beneficial ownership limitation by each Investor and their respective affiliates of 9.99% of the outstanding shares of common stock of the Company, provided, however, that the beneficial ownership limitation on conversion may be waived by the Investor upon providing not less than 61 days’ prior notice to the Company.

The Warrants will entitle the holders to acquire Warrant Shares until December 19, 2026, at an exercise price of US\$0.10 per Warrant Share, subject to customary adjustments. The Warrants can be exercised on a cash basis or on a cashless (net exercise) basis. The Warrants contain the same beneficial ownership limitation as the Debentures.

During the six months ended 31 January 2024, the Company recorded the interest expense of \$180,689 related to the Debentures. The loan balance as at 31 January 2024 was \$3,000,000, net of remaining debt discount of \$459,775 (31 July 2023 - \$519,478).

15. Operating Leases

- a) On 10 November 2017, Nevada Medical Group, LLC entered a ten-year lease agreement with Resort Holdings 5, LLC, a Nevada limited liability company, for the property located at 3375 Pepper Lane, Las Vegas, NV, containing approximately 18,000 square feet. We have four options to extend the lease agreement and each option is for five years. In July 2018, Resort Holdings 5, LLC, the landlord, sold the property to a third party and assigned the lease to Minor Street Properties, LLC. All lease terms remained the same. On 9 May 2022, we amended the lease agreement which exercised our first option to extend the lease for an additional five years with rent during the option term subject to a 3% increase on each anniversary date of the lease. The monthly rent was \$13,663 + common area expenses, increased to 13,936 + common area expenses on 1 December 2022 and increased to \$14,215 + common area expenses on 1 December 2023. Currently, the guaranteed minimum monthly rent is subject to a 2% increase on each anniversary date of the lease.
- b) On 7 May 2019, Nevada Medical Group, LLC entered into a five-year lease agreement with Haigaz and Nora Atamian, commercial property owners, for the property located at 6420 Sunset Corporate Drive, Las Vegas, NV, containing approximately 7,700 square feet. We had two options to extend the lease for an additional three-year term and an option to purchase the property at any point during the initial term. The monthly rent was \$6,478 + common area expenses, increased to \$6,780 + common area expenses on 1 May 2022 and increased to \$7,081 + common area expenses on 1 May 2023. The guaranteed minimum monthly rent is subject to a \$0.03 per square foot, per month, increase on each anniversary date of the lease for years one through three of the term and \$0.04 per square foot, per month, increase on each anniversary date of the lease for years four through five of the term. On 30 October 2023, the lease agreement was terminated, and a new lease agreement was executed for the remaining term. The monthly rent increased to \$8,557.24 + common area expenses through the remaining term.

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- c) On 1 December 2018, SGSD, LLC entered into a five-year lease agreement with Green Road, LLC, a California limited liability company, for the property located at 7625 Carroll Road, San Diego, California, containing approximately 4,600 square feet. On June 13, 2019, SGSD, LLC assigned the lease to NMG San Diego, LLC. Under the terms of the assignment and first amendment to the original lease agreement dated 13 June 2019, we have three options to extend the lease and each option is for five years. On 1 August 2023, the lease agreement was extended for one additional term of five years. The monthly base was \$16,883 plus common area expenses and increased to \$17,389 plus common area expenses on 1 December 2023. The guaranteed monthly rent is subject to a 1% to 6% increase on each anniversary date of the lease, based on increases in the Consumer Price Index for San Diego County. The lease contains a sale bonus provision of \$2,000,000 or 10% of the purchase price of the entire business, whichever is greater, in the event of sale or assignment of the lease.
- d) On 10 January 2017, SJK Services, LLC entered into a five-year lease agreement with Meng Lin Zhang, a commercial property owner, for the property located at 3411 E. Anaheim St., Long Beach, California, containing approximately 1,856 square feet. On 7 September 2018, SJK Services, LLC amended its lease agreement with Meng Lin Zhang. On 14 December 2018, SJK Services, LLC assigned the amended lease agreement to The Airport Collective, Inc., a California corporation. On 8 March 2019, The Airport Collective, Inc. assigned the amended lease agreement to NMG Long Beach, LLC. On 14 June 2021, we exercised our option to extend the lease agreement for one additional term of five years. On 1 March 2022, we amended the lease agreement to include two additional options to extend the lease agreement for five years each and expanded the lease agreement to include 3413 E. Anaheim St., Long Beach, California, containing approximately 816 square feet. The guaranteed minimum monthly base for unit 3411 was \$8,067 + common area expenses, increased to \$8,470 + common area expenses in January 2024, and is subject to a 5% increase on each anniversary date of the lease. The guaranteed monthly base rent for unit 3413 was \$1,632 + common area expenses, increased to \$1,681 + common area expenses on 1 April 2023 and is subject to a 3% increase on each anniversary date of the lease agreement.
- e) On 1 October 2019, NMG Ohio, LLC entered into a three-year lease agreement with MMCA Development, LLC, an Ohio limited liability company, for the property located at 719 Sugar Lane, Elyria, Ohio 44035, containing approximately 4,000 square feet. We have three options to extend the lease agreement for an additional three-year term. The guaranteed minimum monthly rent is subject to 5% increase for each option period. On 1 September 2021, the lease agreement was assigned to NMG OH P1, LLC with the same terms. On 18 October 2022, NMG OH P1, LLC extended the lease agreement with MMCA Development, LLC for one additional term of three years. The base rent is \$4,200 plus common area expenses.
- f) On 10 February 2021, NMG MI C1, Inc. entered into a five-year lease agreement with 254 River Street, LLC, a Michigan limited liability company, for the property located at 254 River St., Manistee, Michigan 49660, containing approximately 30,000 square feet. The base rent was \$22,500 during the operational period, beginning after the rent abatement and reduced rent periods, and increased to \$22,950 on 1 November 2023. The lease agreement includes 2% annual base rent increases and three options to extend for five-years each. 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.

On 21 September 2021, the Company issued the necessary common shares to settle milestone (i) above. During the year ended 31 July 2022, the Company accrued an additional \$231,374 and were included in the related operating lease liability for milestone (ii) above. Milestones (iii) and (iv) have not yet been achieved as of 31 January 2024.

At 31 July 2022, in order to better utilize its resources, it was deemed unlikely that the Company will continue to pursue the opportunity for a cultivation facility in Michigan. As a result, the Company impaired the right-of-use asset related to this lease during the year ended 31 July 2022. The lease liability at 31 January 2024 related to NMG MI C1 was \$1,385,712.

- g) On 10 February 2021, NMG MI P1, Inc. entered into a five-year lease agreement with 254 River Street, LLC, a Michigan limited liability company, for the property located at 254 River St., Manistee, Michigan 49660, containing approximately 30,000 square feet. The base rent was \$7,500 during the operational period, beginning after the rent abatement and reduced rent periods, and increased to \$7,650 on 1 November 2023. The lease agreement includes 2% annual base rent increases and three options to extend for five-years each. 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.

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.

During the year ended 31 July 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.

On 21 September 2021, the Company issued the necessary common shares to settle milestone (i) above. During the year ended 31 July 2022, the Company accrued an additional \$239,173 and were included in the related operating lease liability for milestone (ii) above.

At 31 July 2022, in order to better utilize its resources, it was deemed unlikely that the Company will continue to pursue the opportunity for a production facility in Michigan. As a result, the Company impaired the right-of-use asset related to this lease during the year ended 31 July 2022. The lease liability at 31 January 2024 related to NMG MI P1 was \$461,904.

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 were subject to the Company subsidiaries receiving approval by the State of Michigan and could be cancelled by the Company if licenses were not awarded. The licenses for NMGMIP1 and NMGMIC1 were issued on 19 July 2021.

- h) On 1 July 2021, the Company's subsidiary Canopy Monterey Bay, LLC assumed and entered into a three-and-a-half-year lease agreement for the property located at 1900 Fremont Blvd., Seaside, California 93955. On 1 December 2021, Canopy Monterey Bay, LLC entered into a second amendment that includes three options to extend the lease agreement for five years each with 3% annual base rent increases. The base rent is now \$9,913 per month until June 2024. In March 2023, the Company and the landlord agreed to extend the lease for until 30 June 2028. Canopy Monterey Bay, LLC agreed to pay the landlord a maintenance fee equal to 1.5% of gross sales each month.
- i) On 7 April 2022, DEP Nevada, Inc. entered into a three-year lease agreement with 2625 GV, LLC, a Nevada limited liability company, for the property located at 2625 N. Green Valley Pkwy., Ste 150, Henderson, Nevada 89014, containing approximately 5,059 square feet. The base rent was \$4,482 per month plus common area expenses and increased to \$4,662 per month plus common area expenses on 1 June 2023. The lease agreement includes 4% annual base rent increases and two options to extend for three years each.
- j) On 4 December 2020, NMG CA P1, LLC entered into a five-year lease agreement with Cat City 2, LLC, a California limited liability company, for the property located at 68945 Perez Rd., Suite 1, Cathedral City, California 92234, containing approximately 5,840 square feet. The lease agreement includes 3% annual base rent increases and two options to extend for five-years each. We amended the lease agreement on 27 January 2022, which extended the term to 31 December 2026 and rent commencement date. The base rent is \$6,028 plus common area expenses for the first six months, increases to \$9,590 plus common area expenses on the seventh month and increases to \$9,878 plus common area expenses on 1 March 2023. We amended the lease agreement on 1 October 2023, which reduced the base rent since then. The current base rent is \$5,767 per month plus common area expenses.
- k) On 1 December 2020, NMG CA C1, LLC entered into a five-year lease agreement with Cat City 2, LLC, a California limited liability company, for the property located at 68945 Perez Rd., Suite 2,3&4, Cathedral City, California 92234, containing approximately 13,023 square feet. The lease agreement includes a rent abatement period, 3% annual base rent increases and two options to extend for five-years each. We amended the lease agreement on 2 February 2022, which extended the term to 31 December 2026. The base rent increased to \$22,790 plus common area expenses effective January 1, 2023 and increased to \$23,474 plus common area expenses effective March 1, 2023. The base rent will increase to \$24,178 plus common area expenses effective on 1 March 2024.
- l) On 15 February 2022, CraftedPlants NJ Corp. ("Tenant") entered into a lease agreement (the "Lease") with Simone Investment Group, LLC, a New Jersey limited liability company, for the property located at 3191 U.S. Route 1, Lawrenceville, New Jersey 08648, containing approximately 6,923 square feet. The term of this Lease consists of Phase I commencing on 15 February 2022 (the "Lease Commencement Date") and ending on the earlier of (i) twelve months from the Lease Commencement Date, (ii) upon issuance to Tenant of the Class 5 Cannabis Retail License by the Commission plus thirty days, or (iii) the date when the Tenant opens for business; and Phase II of ten years from the earlier of (i) the date when the Tenant opens for business, (ii) twelve months from 15 February 2022, or (iii) thirty days after the issuance to Tenant of the Class 5 Cannabis Retail License by the Commission. Tenant has four options to extend the lease and each option is for five years. On 21 December 2022, the Company acquired the rights to the lease agreement from the merger with CraftedPlants NJ Corp. for consideration of \$170,000 (Note 11). The rent for Phase I was \$10,000 per month for the first eight months and increased to \$14,000 per month on the ninth month. The monthly rent for Phase II is \$25,146 annually for the first five years and will increase to \$29,583 on the sixth year.

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- m) On 4 January 2022, NMG IL 4, LLC entered into a ten-year lease agreement with CB Chicago Partners, Ltd., a Texas limited partnership, for the property located at 2941 W. 159th Street, Markham, Illinois, containing approximately 20,000 square feet with a building containing approximately 2,832 square feet. This lease includes two (2) options to extend for ten-years each. Concurrently with the execution of this lease, NMG IL 4 paid the sum of \$92,234 consisting of twelve (12) months' minimum rent in the sum of \$84,960 plus one (1) fiscal year's real estate taxes in the sum of \$63,914 less the minimum rent credit in the sum of \$56,640. On 12 October 2022, NMG IL 4 amended the lease agreement to relocate to certain premises containing approximately 3,600 square feet located at 3063 W. 159th Street, Markham, Illinois. The term of the lease as to relocated premises commenced on 12 October 2022 and as amended shall end on 31 January 2032. The Company acquired the rights to the lease agreement with NMG IL 4 on 25 April 2023 (Note 11). The base rent is currently \$13,600 plus common area expenses until 31 January 2024 and will increase to \$13,804 on 1 February 2024.

During the six months ended 31 January 2024, the Company recorded a total lease expense of \$646,183 related to the amortization of right-of-use assets, which was included in Operating Expenses.

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	\$ 1,047,328
Weighted-average remaining lease term – operating leases	6.43 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.

Maturities of lease liabilities were as follows:

Year Ending 31 July	Operating Leases
2024	\$ 848,272
2025	1,712,955
2026	1,740,745
2027	1,469,408
2028 and thereafter	4,650,416
Total lease payments	\$ 10,421,796
Less imputed interest	(3,312,686)
Total	\$ 7,109,110
Less current portion	(894,280)
Long term portion	\$ 6,214,830

At 31 January 2024 and 31 July 2023, the right-of-use assets and the lease liabilities related to NMG, NMG OH 1 and NMG OH P1 have been reclassified to assets held for sale and liabilities related to assets held for sale as follows:

	31 January 2024	31 July 2023
NMG OH 1 – right-of-use assets	\$ -	\$ 158,336
NMG OH P1 – right-of-use assets	\$ 184,724	\$ 198,412
NMG- lease liabilities	\$ -	\$ 1,176,729
NMG OH 1- lease liabilities	\$ -	\$ 162,552
NMG OH P1 – lease liabilities	\$ 189,244	\$ 202,618

The right-of-use assets and the lease liabilities associated with NMG and NMG OH 1 have been deconsolidated as of the date of the disposition (Note 21).

16. Capital Stock

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

Pursuant to the ShowGrow Long Beach Purchase Agreement, the Company issued 2,681,006 common shares in escrow. The share consideration was subject to reduction with reference to the liabilities of the business that will be outstanding on the closing date, which occurred in November 2023. As a result of finalization of seller liabilities during closing, the Company has released 1,030,032 shares of common stock previously issued and held in escrow pending closing to the seller. Additionally, as a result of the working capital settlement, the Company has returned to treasury 1,650,974 shares of common stock that were previously issued and held in escrow.

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 (Note 11).

On 15 July 2022, the Company issued 319,149 common shares to one entity based on the terms and conditions of the certain lease agreement for the Muskegon, Michigan premises.

Pursuant to the closing of MIPA #1, as amended, and MIPA #2, as amended, for the acquisition of Canopy's membership interest, the Company issued an aggregate of 16,301,694 shares of common stock on 7 December 2022, of which 2,238,806 are being held in escrow ending the results of a working capital adjustment in accordance with MIPA #1 and MIPA #2 (Note 11).

Pursuant to the terms of the Merger Agreement with CraftedPlants, NJ, the Company issued an aggregate of 16,666,667 common shares on 21 December 2022 in escrow (Note 11).

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.

	Number of options	Weighted average exercise price	Weighted average contractual term remaining (in years)	Aggregate intrinsic value
Outstanding at 31 July 2022	9,453,000	CAD\$ 0.67	2.11	CAD\$ -
Granted	9,773,000	CAD\$ 0.07		CAD\$ -
Expired	(2,075,000)	CAD\$ 0.64		CAD\$ -
Outstanding at 31 July 2023	17,151,000	CAD\$ 0.33	3.39	CAD\$ -
Expired	(1,005,000)	CAD\$ 0.58		CAD\$ -
Outstanding at 31 January 2024	16,146,000	CAD\$ 0.32	3.07	CAD\$ -
Vested and fully exercisable at 31 January 2024	13,226,500	CAD\$ 0.38	2.75	CAD\$ -

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As of 31 January 2024, the following stock options are outstanding:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry dates
1,600,000	1,600,000	CAD\$0.88	21 August 2024
250,000	250,000	CAD\$0.93	1 October 2024
200,000	200,000	CAD\$0.88	23 January 2025
250,000	250,000	CAD\$0.405	1 March 2025
1,375,000	1,375,000	CAD\$0.67	30 April 2025
350,000	350,000	CAD\$0.88	21 August 2024
1,250,000	1,250,000	CAD\$0.68	6 March 2026
250,000	250,000	CAD\$0.65	5 April 2024
448,000	448,000	CAD\$0.44	30 November 2026
200,000	200,000	CAD\$0.44	30 November 2024
200,000	200,000	CAD\$0.15	8 July 2027
4,050,000	1,012,500	CAD\$0.065	25 April 2028
5,723,000	5,723,000	CAD\$0.065	25 April 2028
16,146,000	13,108,500		

On 25 April 2023, the Company granted 4,050,000 stock options to certain directors, officers, employees and consultants of the Company with an exercise price of CAD\$0.065 per share expiring on 25 April 2028. These stock options vest equally every 6 months for a period of 24 months.

On 25 April 2023, the Company granted 5,723,000 stock options to certain directors, officers, employees and consultants of the Company with an exercise price of CAD\$0.065 per share expiring on 25 April 2028. These stock options vest immediately.

Total fair value of the stock options granted was calculated to be \$395,526 using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

Expected life of the options	2.76 years
Expected volatility	103%
Expected dividend yield	Nil
Risk-free interest rate	3.27%

The Company recorded total stock-based compensation expense of \$18,465 (2023 - \$22,013) and \$53,808 (2023 - \$54,471) for the three and six months ended 31 January 2024 and 2023, respectively, in connection with prior issuances of options to purchase common stock. Stock-based compensation expense is included in general and administrative expenses on the accompanying statements of operations.

Share Purchase Warrants

	Number of warrants	Weighted average exercise price
Outstanding at 31 July 2023 and 31 October 2023	20,800,000	CAD\$ 0.17
Outstanding at 31 January 2024	20,800,000	CAD\$ 0.17

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During the year ended 31 July 2023, the Company issued 15,000,000 warrants in connection with the issuance of convertible debentures pursuant to SPAs (Note 14). The Warrants will entitle the holders to acquire Warrant Shares until December 19, 2026, at an exercise price of US\$0.10 per Warrant Share, subject to customary adjustments. The Warrants can be exercised on a cash basis or on a cashless (net exercise) basis. The Debentures was accounted for as a liability in its entirety equal to the proceeds received from issuance, net of the fair value of the 15,000,000 Warrants valued at \$592,159 using the Black Scholes Option Pricing Model using the following assumptions, which was recorded as a debt discount:

Expected life of the options	4 years
Expected volatility	107%
Expected dividend yield	0%
Risk-free interest rate	3.03%

As of 31 January 2024 and 31 July 2023, the following warrants are outstanding:

Number of warrants outstanding and exercisable		Exercise price	Expiry dates
4,800,000	USD\$	0.40	19 July 2025
15,000,000	USD\$	0.10	19 December 2026
1,000,000	USD\$	0.16	14 June 2027
20,800,000	USD\$	0.23	

17. Segment 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:

- 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 six months ended 31 January 2024:

	31 January 2024
Revenue	
Retail	\$ 8,986,886
Total	<u>\$ 8,986,886</u>
Net loss from continuing operations before taxes	
Retail	646,837
All others	(4,499,215)
Total	<u>\$ (3,852,378)</u>

During the six months ended 31 January 2024, the Company had no major customer over 10% of its revenues.

18. Supplemental Disclosures with Respect to Cash Flows

	Six Months Ended	
	31 January	
	2024	2023
Cash paid during the period for interest	\$ 129,361	\$ 446,040
Cash paid during the period for income taxes	\$ 1,600	\$ 3,228

19. Commitments and Contingencies

From time to time, the Company may be subject to various legal proceedings in the ordinary course of its business. The Company intends to take appropriate action with respect to any such legal actions, including by defending itself against such legal claims as necessary.

Acquisition of Long Beach

On 3 July 2019, the Company entered into various agreements with GLDH and other third parties to acquire 100% ownership interest in GLDH's Long Beach, California dispensary ("ShowGrow Long Beach"). The purchase price was \$6,700,000, of which \$1,500,000 was 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") upon NMGLB receiving the transfer of all licenses, permits and BCC authorizations for NMGLB to conduct medical and adult-use commercial cannabis retail operations. The 2,681,006 common shares were issued on 12 August 2019. The Share Payment is 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. The Share Payment reduction is pending and, as a result, the related shares have not been released from escrow. Any final settlement that is different than liabilities' balances currently recorded will be allocated to other income or expense. The Company closed the acquisition of ShowGrow Long Beach. As a result of finalization of seller liabilities during closing, the Company has released 1,030,032 shares of common stock previously issued and held in escrow pending closing to the seller. Additionally, as a result of the working capital settlement, the Company has returned to treasury 1,650,974 shares of common stock that were previously issued and held in escrow.

Acquisition of Assets – Crafted Plants NJ

On 21 December 2022, pursuant to the terms of the Merger Agreement, the Company issued to the Sellers an aggregate of 16,666,667 shares of its common stock, which will be held in escrow and will not be released to the Sellers until the Surviving Entity achieves certain milestones (Note 11). Since no cannabis sales have commenced, the \$50,000 liability for consultant is not payable.

The Company entered into a three-year strategic advisory services agreement with Bengal Capital dated 5 January 2023 ("Bengal Advisory Agreement"). The Company shall pay Bengal Capital \$240,000 on each anniversary, of which \$60,000 is to be paid in cash and \$180,000 is to be paid in cash, common stock, or warrants to purchase shares of the Company's common stock, in such proportions as are determined by the Company. The Company has accrued \$260,000 under this agreement as of 31 January 2024. In February 2024, the Company settled the annual advisory fees of \$240,000 accrued as of January 5, 2024, of which \$60,000 was paid in cash and \$180,000 was paid by issuing 2,700,393 common shares (Note 23). In addition, if the Company successfully obtains a cultivation license in New Jersey during the term of the Bengal Advisory Agreement, the Company will owe a fee of \$1,000,000, which will be payable in the form of the Company's common stock or a warrant to purchase shares of the Company's common stock, in either case as requested by Bengal Capital. As of 31 January 2024, no license has been obtained and therefore the related fee has not been paid or accrued.

On September 22, 2023, DEP sold 5% of the outstanding shares (the "Subject Shares") of BaM Body and Mind Dispensary NJ, Inc. ("BaM NJ") to an individual who resides in New Jersey (the "Purchaser") in exchange for \$1.00, and concurrently therewith, DEP and the Purchaser entered into an option agreement (the "Option") whereby the Purchaser granted DEP the option to acquire to Subject Shares for the purchase price of \$1.00. In addition, in connection with the sale of the Subject Shares to the Purchaser and the Option, the Purchaser, DEP and BaM NJ entered into a consulting agreement (the "Consulting Agreement") whereby the Purchaser shall assist BaM NJ with its pre-license matters with the New Jersey Cannabis Regulator Commission and post-license operational matters to maintain the license. Pursuant to the Consulting Agreement, and provided that BaM NJ is issued a commercial cannabis retain license in and from the State of New Jersey, BaM NJ shall pay to the Purchaser an aggregate amount of \$50,000 for the services to be provided by the Purchaser to BaM NJ.

Acquisition of Canopy

At 31 January 2024, the Company had \$100,000 in consulting fee payable to the sellers of Canopy (Note 11), related to the common shares that are to be issued to the Canopy sellers 18 months after the First Amendment in June 2022, that was not included in the purchase consideration and is included in accrued liabilities.

As part of the Canopy acquisition agreements PA #1 and PA #2 on November 29, 2021, a Letter of Intent ("LOI") was executed to engage the Sellers, Jayme Rivard and Cary Stiebel, as business consultants at a rate of \$5,000 per month each, for 12 months beginning December 1, 2021. Subsequently, this LOI was amended on June 2, 2022 to extend the agreement until December 31, 2024 and for the Company to issue 100,000 stock options to purchase 100,000 shares of the Company's common stock to Consultant, Mr. Stiebel, and 100,000 stock options to purchase 100,000 shares of the Company's common stock to Consultant, Jayme Rivard (collectively, the "Stock Options"). The exercise price for the Stock Options shall not be lower than the greater of the closing market price of the Company's shares on (a) the trading day prior to the date of grant of the Stock Options, and (b) the date of grant of the Stock Options and will have an expiry date of five (5) years from the date of grant. Any delays by any of the Sellers (as defined in PA # 1) in providing requested materials, escrow instructions or otherwise failing to cooperate with Buyer will extend the Closing Deadline by an amount corresponding to the length of delay caused by Sellers. As of the date of these financial statements, the Stock Options have not been granted. Further, this LOI was amended again on August 5, 2022 to defer all payments for consulting services from 1 August 2022 to 1 August 2023, in lieu of potential unknown working capital liabilities.

Acquisition of Assets - Illinois

On 17 January 2023, the Company entered into an agreement with John Kim, our consultant in the State of Illinois for a two-year services related to licensing process for a total payment of \$86,500 payable in tranches until 10 June 2023, as well as \$15,000 per month to three designated individuals for two (2) years ending on 31 December 2024, and \$5,000 per month to one additional individual for six (6) months ending 30 June 2023 for an aggregate total of \$476,500. On 10 May 2023, the Company entered into a Settlement and Release Agreement with John Kim to revise and increase the payments for services related to licensing process as described in the agreement that the Company entered into on 17 January 2023. Effective 10 May 2023, the revised committed payments total \$733,150 as follows:

- a) \$30,000 due 10 May 2023, \$10,000 payable in each month of June, September, November 2023, and \$15,000 each month for the period from January 2024 to February 2025, to John Kim;
- b) \$7,500 per month to John Kim for May and June 2023, and \$5,000 per month for remaining months until 31 December 2024;
- c) \$5,000 or \$5,833 per month to three designated individuals until 31 December 2024, except for certain months with variable payments ranging from \$7,500 to \$15,833.

As of 31 January 2024, the Company has paid \$299,817, leaving \$433,333 to be earned subsequent to 31 January 2024.

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. The Transaction with NMG IL 4 was completed on 25 April 2023 (Note 11). In January 2024, the final ownership changes were approved by the state. The Transaction with NMG IL 1, following the same pattern described in Note 11, has not been completed as of the date of these financial statements.

21. Discontinued Operations and Assets Held for Sale

The following table summarizes the Company’s loss from discontinued operations for the three and six months ended 31 January 2024 and 2023. The gain and loss resulting from the forgiveness of intercompany payables has been eliminated in consolidation.

	Three months ended 31 January 2024	Three months ended 31 January 2023	Six months ended 31 January 2024	Six months ended 31 January 2023
Sales	\$ 428,595	\$ 3,308,447	\$ 2,581,452	\$ 6,507,631
Cost of sales	(676,196)	(2,812,932)	(2,329,988)	(6,101,604)
Gross profit (loss)	(247,601)	495,515	251,464	406,027
Operating expenses	(171,826)	(824,752)	(658,538)	(1,604,070)
Other items	(640,664)	-	(581,282)	828
	(812,490)	(824,752)	(1,239,820)	(1,603,242)
Loss from discontinued operations before income taxes	\$ (1,060,091)	\$ (329,237)	\$ (988,356)	\$ (1,197,215)
Income tax expense (recovery)	67,827	(249,595)	(147,784)	(499,190)
Net loss from discontinued operations	\$ (992,264)	\$ (578,832)	\$ (1,136,140)	\$ (1,696,405)

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The assets and liabilities associated with discontinued operations consisted of the following as of 31 January 2024 and 31 July 2023:

	31 January 2024	31 July 2023
Assets held for sale		
Cash	\$ 5,081	\$ 215,622
Accounts receivable	63,337	564,392
Other amounts receivable	-	20,000
Prepays	44,951	332,814
Inventory	120,283	1,609,521
Property and equipment, net	617,422	1,143,818
Operating lease right-of-use assets	184,724	356,748
Brand and licenses, net	-	2,047,295
Total assets held for sale	1,035,798	6,290,210
Liabilities held for sale		
Accounts payable and accrued liabilities	2,036,461	479,619
Income taxes payable	-	239,434
Operating lease liabilities	189,244	1,541,900
Total liabilities held for sale	\$ 2,225,705	\$ 2,260,953

Total assets and liabilities associated held for sale are presented as current assets and liabilities, respectively, due to the fact that they are likely to be sold within 12 months.

A reconciliation of the beginning and ending balances of assets held for sale for the six months ended 31 January 2024 and for year ended 31 July 2023, are as follows:

	Held for Sale		
	Subsidiaries	Subsidiaries Disposed	Total
Balance as of 31 July 2022	\$ 1,230,011	\$ 4,712,393	\$ 5,942,404
Transferred in	-	7,300,845	7,300,845
Ongoing activity from discontinued operations	(136,336)	(5,637,909)	(5,774,245)
Disposition	-	(1,178,794)	(1,178,794)
Balance as of 31 July 2023	1,093,675	5,196,535	6,290,210
Ongoing activity from discontinued operations	(57,877)	-	(57,877)
Disposition	-	(5,196,535)	(5,196,535)
Balance as of 31 January 2024	\$ 1,035,798	\$ -	\$ 1,035,798

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A reconciliation of the beginning and ending balances of liabilities held for sale for the six months ended 31 January 2024 and for year ended 31 July 2023 are as follows:

	Held for Sale		
	Subsidiaries	Subsidiaries Disposed	Total
Balance as of 31 July 2022	\$ 259,470	\$ 819,612	\$ 1,079,082
Transferred in	-	1,789,189	1,789,189
Ongoing activity from discontinued operations	(40,291)	(158,306)	(198,597)
Disposition	-	(408,721)	(408,721)
Balance as of 31 July 2023	219,179	2,041,774	2,260,953
Ongoing activity from discontinued operations	2,006,526	-	2,006,526
Disposition	-	(2,041,774)	(2,041,774)
Balance as of 31 January 2024	\$ 2,225,705	\$ -	\$ 2,225,705

In April 2023, the Company approved the sale of the Michigan retail operation. In July 2023 and August 2023, the Company approved the sale of the Ohio operations. In January 2024, the Company approved the sale of Nevada operation.

Available for Sale Subsidiaries

Membership Interest Purchase Agreement (NMG OH P1)

On September 5, 2023, DEP entered into a membership interest purchase agreement (the “NMG OH P1 Purchase Agreement”) with LMTB LLC, an Ohio limited liability company (the “LMTB”), pursuant to which DEP will sell the issued and outstanding membership interests (the “NMG OH P1 Interests”) in NMG OH P1 to LMTB for the purchase price of US\$2,000,000, subject to adjustment in the event that NMG OH P1’s Working Capital (as defined in the NMG OH P1 Purchase Agreement) on the NMG OH P1 Closing Date (as defined in the NMG OH P1 Purchase Agreement) varies from the Target Working Capital (as defined in the NMG OH P1 Purchase Agreement and thereby fixed at zero (0) dollars). An amount equal to the Deposit (as defined in the NMG OH P1 Purchase Agreement), being US\$1,000,000, shall be held in escrow by Murphy Schiller & Wilkes LLP as escrow agent (the “NMG OH P1 Escrow Agent”) pursuant to the terms and conditions of an escrow agreement entered into among DEP, NMG OH P1 and LMTB contemporaneously with the NMG OH P1 Purchase Agreement.

Subsidiaries Disposed

Membership Interest Purchase Agreement (NMG)

On 31 January 2024, the Company’s wholly owned subsidiaries, DEP Nevada entered into a membership interest purchase agreement (the “NMG Purchase Agreement”) with Vegas Brazil LLC, a California limited liability company (the “Vegas Brazil”), pursuant to which DEP will sell the issued and outstanding membership interests (the “NMG Interests”) in NMG to Vegas Brazil for the purchase price of US\$2,000,000, subject to adjustment in the event that NMG’s Working Capital (as defined in the NMG Purchase Agreement) on the NMG Closing Date (as hereinafter defined) varies from the Target Working Capital (as defined in the NMG Purchase Agreement and thereby fixed at zero (0) dollars). Closing shall occur no later than fifteen (15) calendar days following receipt of regulatory approval and satisfaction or waiver, if applicable, of all closing conditions, or in such other manner or at such other time or date as the parties may mutually agree in writing.

In connection with the NMG Purchase Agreement, DEP and Vegas Brazil entered into a letter agreement (the “Letter Agreement”), commencing on December 15, 2023 (the “Economic Takeover Date”) and expiring on the earlier of: (i) the termination of the NMG Purchase Agreement, or (ii) the closing date of the NMG Purchase Agreement. Economic Takeover Date is defined in the NMG Purchase Agreement as the date Vegas Brazil accepts responsibility for all forward-going profits and losses. The financial performance of NMG-LV has been deconsolidated as of Dec 15, 2023 while the entity is in the Transfer of Ownership process.

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The purchase price of US\$2,000,000 consists of: (i) a cash deposit of US\$250,000 (paid); (ii) US\$750,000 in cash to be paid within six months of receipt of regulatory approval by the Nevada Cannabis Compliance Board, which cash payment will be covered by a personal guarantee of an affiliate of Vegas Brazil; and (iii) a secured promissory note in the amount of US\$1,000,000 (the "Note") to be delivered by Vegas Brazil to DEP on the closing date, and which Note will be personally guaranteed by an affiliate of Vegas Brazil. The Note shall bear interest at the applicable federal rate as of the closing date and the Note will be paid in six (6) equal monthly payments with the first payment occurring on the seven (7) month anniversary of the closing date.

As of January 31, 2024, there was \$1,750,000 disposition receivable from Vegas Brazil, of which \$750,000 will be paid in cash within six months of receipt of regulatory approval by the Nevada Cannabis Compliance Board, which is expected to occur in the near future, and \$1,000,000 will be paid by a secured promissory note on the closing date.

Operating Lease as a Lessor (NMG)

On 21 July 2023, Nevada Medical Group, LLC and Moj NV, LLC entered into a Manufacturing Equipment Lease Agreement, whereby Moj NV will lease certain equipment from the Company. Moj NV is solely responsible for the operation and maintenance of the equipment and all costs related thereto. The term of the agreement commenced on 21 July 2023 and received a deposit of \$20,000 that will be applied to the last monthly rent payment. For the first year of the lease, the rent is \$20,000 per month. The lease can be terminated by either party with a 90-day written notice, or 30-day notice with cause. The Company records monthly rent payments as other income as they are received.

NMG OH 1 Disposition

On 17 October 2023, pursuant to equity purchase agreement (the "EPA") dated 21 July 2023, between the Company's wholly owned subsidiaries, DEP Nevada, NMG OH 1 and FarmaceuticalRX, LLC (the "Purchaser"), DEP sold all of the issued and outstanding interests and other ownership, equity or profits interests in NMG OH 1 to the Purchaser (the "Disposition").

Pursuant to the closing of the Disposition, on 17 October 2023 (the "Closing Date"), the Purchaser paid an initial total consideration of US\$8.225 million (US\$7,975,000 on closing plus US\$250,000 deposit upon signing of the EPA) (the "Initial Purchase Price") in cash to DEP Nevada, which Initial Purchase Price is subject to a working capital adjustment and other customary adjustments pursuant to the EPA to be calculated within 365 days of the Closing Date (the "Final Purchase Price"). Based on the Accepted Adjustment Statement (as defined in the EPA), the parties shall determine if the Final Purchase Price shall be adjusted upwards or downwards. An amount equal to the Escrow Amount (as defined in the EPA) of US\$ 100,000 from the Final Purchase Price is being held in escrow and will be released to DEP Nevada on the fifth day of the twelfth month after the Closing Date unless there are any indemnification claims pending until such time as the claim is resolved. The \$100,000 held in escrow was included in other amounts receivable as of 31 January 2024.

In addition, DEP Nevada shall receive a payment of US\$2,500,000 (each, a "Bonus Payment") for each additional dispensary license granted to NMG OH 1 by the State of Ohio Board of Pharmacy or other regulatory body, in accordance with the terms of the EPA. Additional dispensary licenses that will receive the Bonus Payment shall specifically exclude an adult use license issued for the License (as defined in the EPA) and current lease location.

Simultaneously with the closing of the EPA, the Company used US\$7.33 million of the Initial Purchase Price funds to fully repay the debt owing to its senior secured lender.

NMGMI 1 Disposition

In April 2023, the Company approved the sale of the Michigan retail operation, which was completed in June 2023.

Assets held for sale related to NMG wholesale operation, Ohio operations and Michigan retail operation represent a strategic shift in the Company's operations and therefore is classified as available for sale subsidiaries and discontinued operations as of 31 July 2023.

During the year ended 31 July 2023, the Company performed an analysis of any impairments prior to reclassifying certain assets as held for sale and recorded an impairment of \$944,015 which is included as a component of loss on impairment in the consolidated statements of operations and comprehensive loss.

22. Income Taxes

For the three and six months ended 31 January 2024 and 2023, the Company recorded an income tax expense of \$532,459 (2023 - \$370,467) and \$1,363,515 (2023 - \$746,946), respectively.

The provision for income taxes represents federal and state and local income taxes. The effective rate differs from statutory rates due to the effect of state and local income taxes and certain nondeductible expenses. Our effective tax rate will change from quarter to quarter based on recurring and non-recurring factors including, but not limited to, the geographical mix of earnings, enacted tax legislation, and state and local income taxes. In addition, changes in judgment from the evaluation of new information resulting in the recognition de-recognition or re-measurement of a tax position taken in a prior annual period is recognized separately in the quarter of the change.

As of 31 January 2024, the Company had unrecognized tax benefits of all of which would currently affect the Company's effective tax rate if recognized. The Company estimates that approximately \$706,210 of unrecognized tax benefits, including penalties and interest, may be recognized in the next 12 months. Interest expense and penalties of \$71,334 related to unrecognized tax benefits were recorded through 31 January 2024. A number of years may elapse before an uncertain tax position is audited and finally resolved. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, the Company believes that its reserves for income taxes reflect the most likely outcome. The Company adjusts these reserves, as well as the related interest, in light of changing facts and circumstances. Settlement of any particular position could require the use of cash.

The Company files a consolidated U.S. income tax return and tax returns in certain state and local jurisdictions. Currently, the Company is not under examination by any taxing authority.

23. Subsequent Events

On February 9, 2024, the Company issued 2,700,393 common shares to a related party to settle \$180,000 of accrued advisory fees pursuant to the Bengal Advisory Agreement (Note 19).

As of March 15, 2024, the management agreement between NMG and CCG ended and was not extended (Note 8). On or around September 18, 2023, Big Stone AR 1 exercised the conversion feature of the Convertible Loan Agreement to convert into preferred units of CCG at a conversion price equal to the current indebtedness under the Convertible Loan Agreement constituting forty percent (40%) of the overall ownership interests of CCG with the following preferred rights: (i) the right to an allocative share of sixty-six and 67/100 percent (66.67%) of the net profits of CCG and the right to distributions equal to sixty-six and 67/100 percent (66.67%) of the net profits on a monthly basis; (ii) the right to a sixty-six and 67/100 percent (66.67%) share of CCG's assets upon dissolution of CCG; and (iii) the right to sixty-six and 67/100 percent (66.67%) of all voting rights of members of CCG. On or around September 18, 2023, Big Stone AR 1 exercised the conversion feature of the convertible note and CCG members approved certain actions to allow Big Stone AR 1 to become a member of CCG through preferred units, to elect Big Stone AR 1 as the manager of CCG and to amend the operating agreement. The transfer of ownership as a result of conversion of the Convertible Loan Agreement is before the Arkansas regulator.

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, 2023, 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, 2023.

Introduction

This MD&A is focused on material changes in our financial condition from July 31, 2023, our most recently completed year end, to January 31, 2024, and our results of operations for the six months ended January 31, 2024, 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, 2023.

Company Overview

Body and Mind is a multi-state cannabis operator, which has retail, distribution, cultivation, and/or processing operations in Nevada, California, Arkansas, Ohio and Illinois. The Company is also engaged in the development of retail licenses in New Jersey.

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. 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 track record of producing award-winning cannabis products and we have success with winning licenses in new states and jurisdictions.

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. NMG, which is in the process of being sold to a third party purchaser with definitive agreements executed January 31, 2024, was deconsolidated on December 15, 2023 when our control and economic benefits transferred to the third party purchaser.

We, through our indirect 60% owned subsidiary NMG San Diego, LLC (“NGMSD”) have been operating the San Diego BaM Body and Mind branded dispensary, which received all licenses, permits and authorizations to conduct medical and adult-use commercial cannabis retail operations, and which dispensary opened in July 2020.

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We, through our indirect wholly-owned subsidiary NMG Long Beach, LLC (“**NMG LB**”), have been managing the BaM Body and Mind branded Long Beach dispensary since early August 2019. NMG LB received all approvals for final transfer of the licenses required to operate the medical and adult-use cannabis retail dispensary in Long Beach which was acquired by NMGLB at the end of August 2020, and the final formal closing matters occurred at the end of November 2023.

We, through our indirect wholly-owned subsidiary NMG IL 4, LLC (“**NMG IL 4**”), manage and operate the BaM Body and Mind branded Markham, IL dispensary since April 25, 2023. Formal regulatory approval of the ownership transfer has been received in January 2024.

In Cathedral City, California, we had received a manufacturing and distribution licenses in 2021, however, upon evaluation of the expansion opportunity for a cultivation and manufacturing facility, we have decided to not advance this project any further and have let the licenses expire without renewal.

We, through our wholly owned subsidiary, DEP Nevada, Inc., a Nevada corporation (“**DEP**”), acquired Canopy Monterey Bay, LLC (“**Canopy**”) in December 2022, which owns and operates The Reef by Body and Mind retail dispensary in the limited license jurisdiction of Seaside, California.

In Arkansas, we through NMG, manage the “BaM Body and Mind” branded medical marijuana dispensary including cultivation in West Memphis, Arkansas, which opened in April 27, 2020 and the cultivation commenced operations on April 6, 2021. However, as of March 15, 2024, the management agreement between NMG and CCG ended and was not extended.

We, through our indirect subsidiary, BaM Body and Mind Dispensary NJ, Inc., own a New Jersey corporation, which leases a New Jersey retail location in Lawrenceville with local cannabis-use approval. The subsidiary has been advancing its state license application and has received formal planning committee approval on the site plan, commenced design and architectural plans for the leased retail location.

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
NMG Long Beach, LLC ⁽²⁾	California, USA	100%	December 18, 2018
NMG San Diego, LLC ⁽³⁾	California, USA	60%	January 30, 2019
NMG Ohio LLC ⁽⁴⁾	Ohio, USA	100%	April 27, 2017
NMG OH P1, LLC ⁽⁵⁾	Ohio, USA	100%	January 30, 2020
NMG MI P1 Inc. ⁽⁶⁾	Michigan, USA	100%	June 24, 2021
NMG MI C1 Inc. ⁽⁷⁾	Michigan, USA	100%	June 24, 2021
Canopy Monterey Bay, LLC ⁽⁸⁾	California, USA	100%	November 30, 2021
NMG CA P1, LLC ⁽⁹⁾	California, USA	100%	January 7, 2020
NMG CA C1, LLC ⁽¹⁰⁾	California, USA	100%	October 7, 2020
BaM Body and Mind Dispensary NJ, Inc. ⁽¹¹⁾	New Jersey, USA	95%	December 21, 2022
NMG TX 1 LLC ⁽¹²⁾	Texas, USA	100%	March 22, 2023
NMG IL4, LLC ⁽¹³⁾	Illinois, USA	100%	April 25, 2023

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Notes:

- (1) DEP Nevada Inc. is a wholly-owned subsidiary of Body and Mind Inc.
- (2) NMG Long Beach, LLC is a wholly-owned subsidiary of DEP Nevada Inc.
- (3) NMG San Diego, LLC is a 60% owned subsidiary of DEP Nevada Inc.
- (4) NMG Ohio LLC is a wholly-owned subsidiary of Nevada Medical Group LLC, which is inactive.
- (5) NMG OH P1, LLC is a wholly-owned subsidiary of DEP Nevada Inc. which is in the process of being sold to a third party purchaser with definitive agreements executed September 5, 2023.
- (6) NMG MI P1 Inc. is a wholly-owned subsidiary of DEP Nevada, Inc., which is inactive.
- (7) NMG MI C1 Inc. is a wholly-owned subsidiary of DEP Nevada, Inc., which is inactive.
- (8) Canopy Monterey Bay, LLC is a wholly-owned subsidiary of DEP Nevada, Inc.
- (9) NMG CA P1, LLC is a wholly-owned subsidiary of DEP Nevada, Inc.
- (10) NMG CA C1, LLC is a wholly-owned subsidiary of DEP Nevada, Inc.
- (11) BaM Body and Mind Dispensary NJ, Inc. (formerly, CraftedPlants NJ Corp.) is a 95% owned subsidiary of DEP Nevada, Inc.
- (12) NMG TX 1 LLC is a wholly-owned subsidiary of DEP Nevada, Inc.
- (13) NMG IL4, LLC is a wholly-owned subsidiary of DEP Nevada, Inc.

On June 13, 2023 and on October 17, 2023, the Company disposed of its wholly-owned subsidiaries, NMG MI 1, Inc. and NMG OH 1, LLC, respectively to third party purchasers. Nevada Medical Group, LLC, a wholly-owned subsidiary of DEP Nevada Inc., is in the process of being sold to a third party purchaser with definitive agreements executed January 31, 2024 but was deconsolidated on December 15, 2023 due to the fact that the third party purchaser took over operational and financial control of Nevada Medical Group, LLC.

Recent Developments

Acquisition of Canopy Monterey Bay, LLC

On November 30, 2021, DEP entered into a membership interest purchase agreement (the “**MIPA #1**”) to purchase eighty percent (80%) of the issued and outstanding membership interests (the “**Canopy Initial Purchased Interests**”) of Canopy from Cary Stiebel (the “**Continuing Owner**”), Jana Stiebel, Jayme Rivard, Adrian Dermicek, and Laurie Johnson (collectively, the “**Sellers**”). DEP also entered into a membership interest purchase agreement (“**MIPA #2**”) to purchase the remaining 20% of the issued and outstanding membership interests (the “**Canopy Remaining Purchased Interests**”) and together with the Canopy Initial Purchased Interest, the “**Canopy Purchased Interests**”) of Canopy from the Continuing Owner. Both MIPA #1 and MIPA #2 were subsequently amended on June 17, 2022.

On December 7, 2022, the Company through DEP completed the acquisition of the Canopy Purchased Interests from the Sellers and closed MIPA #1, as amended, and MIPA #2, as amended.

The Company paid the following consideration for the Canopy Purchased Interests:

- (1) \$1,250,000 in cash to the Sellers;
- (2) DEP issued a secured promissory note in favor of the Sellers for the principal amount of \$2,300,000, which bears interest at a rate of 10% per annum compounded annually and has a maturity date of November 30, 2026 (the “**Promissory Note**”).
- (3) The Company issued an aggregate of 16,301,694 shares of common stock to the Sellers at a deemed price of US\$0.134 per share, 2,238,806 of which shares are held in escrow pending the results of a working capital adjustment in accordance with MIPA #1, as amended, and MIPA #2, as amended.

San Diego Dispensary Premises

Pursuant to an assignment and first amendment to commercial lease dated June 13, 2019 between NGM SD and Green Road, LLC, the parties agreed to amend the original lease of San Diego dispensary premises to permit NMG SD to have three (3) five (5) year renewal options as opposed to two (2) renewal options. On or around July 31, 2023, the Company decided to exercise the first renewal option to extend the term of the lease for a period of five years from December 1, 2023 to December 1, 2028.

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Agreement and Plan of Merger

On December 21, 2022, the Company, its wholly owned subsidiary, DEP, BaM Body and Mind Dispensary NJ Inc., a New Jersey corporation and wholly-owned subsidiary of DEP (the “**Merger Sub**”), CraftedPlants NJ Corp., a New Jersey corporation (“**CraftedPlants**”) and certain shareholders of the CraftedPlants (the “**Sellers**”) entered into an Agreement and Plan of Merger (the “**Merger Agreement**”) whereby Merger Sub merged with and into CraftedPlants as the surviving entity (in such capacity, the “**Surviving Entity**”), and following the consummation of the merger, which occurred on December 21, 2022, the Surviving Entity became a wholly-owned subsidiary of DEP and changed its name to BaM Body and Mind Dispensary NJ, Inc. The Surviving Entity leases a New Jersey retail location with local cannabis-use approval, and is currently working on attaining final state licensure in New Jersey.

Pursuant to the terms of the Merger Agreement, DEP delivered a cash payment of US\$50,000 to the Sellers upon closing, and a delayed payment of US\$120,000 is to be paid to the Sellers upon funding of the project buildout.

Further, pursuant to the terms of the Merger Agreement, on December 21, 2022, the Company issued to the Sellers an aggregate of 16,666,667 shares of its common stock (the “**Merger Consideration Shares**”) at a deemed price of CAD\$0.08 per share. The Merger Consideration Shares will be held in escrow and will not be released to the Sellers until the Surviving Entity achieves certain milestones, however, the Sellers will still maintain the voting and participation rights with respect to the Merger Consideration Shares while being held in escrow. The post-closing milestones are as follows:

1. If, within two years of the closing date, the Surviving Entity’s application is approved and is granted pending license approval from the New Jersey Cannabis Regulatory Commission (the “**CRC**”), 70% of the Merger Consideration Shares will be released from escrow.
2. If, within three (3) years of the closing date, the Surviving Entity opens for business as a recreational cannabis dispensary, 30% of the Merger Consideration Shares will be released from escrow.

If either or both of the milestones are not achieved within the time periods after the closing date (the “**Milestone Dates**”), the Company shall have the option to cancel the Merger Consideration Shares attributable to the failed milestone by delivering written notice to Sellers and in the event of such cancellation, the portion of the Merger Consideration Shares attributable to the failed milestone shall be surrendered and cancelled without any further action required by the parties. Notwithstanding the foregoing, if either or both of the milestones are not achieved (or if it becomes obvious that they will not be achieved) by their respective Milestone Dates because of delays that are not caused by the Sellers, the Sellers may, before the applicable Milestone Dates, provide notice to the Company, and the applicable Milestone Date will be extended to such date as is reasonably necessary for the milestone to be achieved. The parties will work together in mutual good faith to determine the dates by when the milestones can be reasonably achieved.

The foregoing description of the Merger Agreement does not purport to be complete and is qualified in its entirety by the Merger Agreement, which is filed as Exhibit 2.1 to our Current Report on Form 8-K filed with the SEC on December 23, 2022 and is incorporated by reference herein.

On September 22, 2023, DEP sold 5% of the outstanding shares (the “**Subject Shares**”) of BaM Body and Mind Dispensary NJ, Inc. (“**BaM NJ**”) to an individual who resides in New Jersey (the “**Purchaser**”) in exchange for \$1.00, and concurrently therewith, DEP and the Purchaser entered into an option agreement (the “**Option**”) whereby the Purchaser granted DEP the option to acquire Subject Shares for the purchase price of \$1.00. In addition, in connection with the sale of the Subject Shares to the Purchaser and the Option, the Purchaser, DEP and BaM NJ entered into a consulting agreement (the “**Consulting Agreement**”) whereby the Purchaser shall assist BaM NJ with its pre-license matters with the New Jersey Cannabis Regulator Commission and post-license operational matters to maintain the license. Pursuant to the Consulting Agreement, and provided that BaM NJ is issued a commercial cannabis retain license in and from the State of New Jersey, BaM NJ shall pay to the Purchaser an aggregate amount of \$50,000 for the services to be provided by the Purchaser to BaM NJ.

Limited Waiver and Amendment to Loan Agreement

The Company and its subsidiaries DEP, NMG, NMG OH 1, LLC (“**NMG OH 1**”) through the date of disposition, NMG OH P1, LLC (“**NMG OH P1**”), NMG LB, NMG MI C1, Inc. (“**NMG C1**”), NMG MI P1, Inc. (“**NMG MI P1**”), NMG MI 1, Inc. (“**NMG MI 1**”) through the date of disposition, NMG CA C1, LLC, NMG CA P1, LLC, NMG CA 1, LLC and NMG Cathedral City (each, a “**Guarantor**” and collectively, the “**Guarantors**” and together with the Company, the “**Loan Parties**”) entered into a loan agreement (the “**Loan Agreement**”) with FG Agency Lending, LLC (the “**Agent**”) and Bomind Holdings LLC (together with its successors and assigns, the “**Lender**”), dated July 19, 2021, as amended on November 30, 2021, June 14, 2022, December 12, 2022 and December 16, 2022.

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On December 12, 2022, the Loan Parties, the Agent and the Lender entered into a Limited Waiver and Amendment to Loan Agreement (the “**Limited Waiver and Amendment to Loan Agreement**”) to deal with certain events of default that occurred under the Loan Agreement, as amended, with respect to (i) the Company’s failure to deliver to Agent the audited annual financial statements of the Company and its subsidiaries for the fiscal year ended July 31, 2022, on or before ninety (90) days after the end of such fiscal year in accordance with Section 7.2(c) of the Loan Agreement (the “**First Specified Default**”) and (ii) the Agent being informed that the Company anticipates that it will fail to deliver the quarterly financial statements of the Company and its subsidiaries for the fiscal quarter ending October 31, 2022, in form and substance acceptable to Agent, on or before forty-five (45) days after the end of such fiscal quarter, in accordance with Section 7.2(b) (the “**Second Specified Default**”, and together with the First Specified Default, the “**Specified Defaults**”).

Pursuant to the Limited Waiver and Amendment to Loan Agreement, the Agent and the Lender each waived the Specified Defaults on a limited one-time basis subject to the terms and conditions thereof until (i) with respect to the First Specified Default, 5:00 PM EST on December 30, 2022, and (ii) with respect to the Second Specified Default, 5:00 PM EST on January 13, 2023 (the “**Waiver Period**”); provided that if the Loan Parties do not deliver each of the Amended Deliverables (as defined in the Limited Waiver and Amendment to Loan Agreement) on or before expiration of their respective Waiver Period; the waiver shall no longer be of any effect, and the Lender shall be entitled to enforce all remedies set forth in the Loan Agreement as of the date each Specified Default first occurred. The failure to time deliver such Amended Deliverables shall immediately result in an event of default and shall not be subject to any cure period.

The Limited Waiver and Amendment to Loan Agreement became effective on December 16, 2022 (the “**Waiver Effective Date**”) the date on which the Agent received (i) the fully executed Limited Waiver and Amendment to Loan Agreement, (ii) a non-refundable waiver fee of US\$35,000, and (iii) payment of all reasonable and documented out-of-pocket costs, fees and expenses of the Agent and the Lender in connection with the Limited Waiver and Amendment to Loan Agreement. Subsequent to entering into the Limited Waiver and Amendment to Loan Agreement, the parties verbally agreed and confirmed via email on December 20, 2022, that the Waiver Period for the First Specified Default shall be extended from December 30, 2022 to January 17, 2023, and the Waiver Period for the Second Specified Default shall be extended from January 13, 2023 to January 27, 2023.

Consent and Amendment to Loan Agreement

On December 16, 2022, the Company, the Agent and the Lender entered into a Consent and Amendment to Loan Agreement (the “**Consent and Amendment to Loan Agreement**”) as the terms of the Loan Agreement provides that (i) neither the Company nor its Subsidiaries is permitted to effect any acquisition or merger without the prior written consent of the Agent, and (ii) neither the Company nor its Subsidiaries is permitted to incur indebtedness without the prior written consent of the Agent. The Company advised the Agent of its desire to (i) enter into the Merger Agreement among the Company, its wholly owned subsidiary, DEP Nevada, Inc., BaM Body and Mind Dispensary NJ, Inc., CraftedPlants and the Sellers, and (ii) enter into the certain Securities Purchase Agreements (the “**SPAs**”) by an among the Company and the purchaser parties thereto.

Pursuant to the Consent and Amendment to Loan Agreement, the Agent and the Lender consented to: (a) the Company entering into the Merger Agreement, the consummation of the Merger Agreement, and all other transactions provided for under the Merger Agreement, provided that the Merger Agreement shall not be amended or modified in any way without the Agent’s prior written consent; and (b) the Company entering into the SPAs and all other transactions provided for under the SPAs, provided that the SPAs and any related documents shall not be amended or modified in any way without the Agent’s prior written consent.

In addition, pursuant to the Consent and Amendment to Loan Agreement, the parties agreed that the schedules to the Loan Agreement are each replaced in their entirety with the revised corresponding schedules and shall be provided to the Agent, which such updated schedules are to include a complete capital table updated in accordance with Section 7.2(d) of the Loan Agreement.

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The consent contained in the Consent and Amendment to Loan Agreement became effective on December 16, 2022, the date on which the Company (i) received the prior written consent from the Agent of the final version of the Merger Agreement and any related documents; (ii) provided to the Lender updated schedules to the Loan Agreement; (iii) provided evidence in form and satisfaction to Agent of the Company's receipt of at least \$3,000,000 in cash proceeds pursuant to the SPAs; and (iv) payment of all reasonable fees, costs and expenses incurred by the Agent and the Lender in connection with the preparation, execution and delivery of the Consent and Amendment to Loan Agreement.

Illinois Dispensaries

In 2019, our wholly owned subsidiary, DEP, executed definitive agreements with NMG Illinois, LLC ("**Management Company**"), IL Resident, LLC ("**IL Resident**"), an entity which is controlled by our social equity partner, and other NMG entities in Illinois, NMG IL 1, LLC ("**NMG IL 1**") and NMG IL 4, LLC ("**NMG IL 4**"), in connection with a proposed business combination (the "**Transaction**"). NMG IL 1 and NMG IL 4 were originally owned by Tall Bird, LLC ("**Tall Bird**"), a company owned by our social equity partner to meet local licensing application requirements and to compensate our social equity partner for role in obtaining the licenses, and Big Stone Illinois, LLC ("**Big Stone**"), a company controlled by the Company's Chief Operating Officer. The agreements are subject to final regulatory approval.

On December 26, 2019, the Company entered into management agreements with each of NMG IL 1 and 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.

On December 2, 2022, Tall Bird assigned and transferred its membership interests in each of NMG IL 1 and NMG IL 4 to Big Stone. As a result of such transfers, DEP and Big Stock entered into first amended membership interest purchase agreements with respect to each of NMG IL 1 and NMG IL 4.

On April 25, 2023, we, through DEP, obtained 100% ownership (regulatory approval in January 2024) and control over NMG IL 4 in Illinois by converting the loan pursuant to the Convertible Credit Facility Agreement that the Company entered into on December 26, 2019 and by satisfying the closing conditions of the Membership Interest Purchase Agreement that was signed on the same date. On closing, DEP delivered a cash payment of \$1,000 to purchase 100 units (or 0.10%) of NMG IL 4 from the seller, Big Stone, and converted the Convertible Note receivable balance of \$994,035 for the remaining 99,900 units (or 99.90%) of NMG IL 4. The Markham Illinois dispensary was opened around April 25, 2023 and operated as a BaM Body and Mind branded dispensary.

Our second dispensary located in the Southern Chicago area received community approval from the village of Lynwood on February 15, 2023. Construction has commenced at the Lynwood dispensary site with building permits approved, foundations, walls and roof complete and groundworks ongoing. The dispensary will be a 3,600 square foot BaM Body and Mind branded store and is conveniently located on highway 83, less than 2 miles off both Highway 294 and Highway 30 in Eastern Illinois.

The foregoing descriptions of the convertible credit facility agreement between DEP and NMG IL 1 (the "**NMG IL 1 Convertible Credit Agreement**"), the convertible credit facility agreement between DEP and NMG IL 4 (the "**NMG IL 4 Convertible Credit Agreement**"), the membership interest purchase agreement between DEP and Big Stone with respect to NMG IL 1 (the "**NMG IL 1 MIPA**"), the membership interest purchase agreement between DEP and Big Stone with respect to NMG IL 4 (the "**NMG IL 4 MIPA**"), the first amended membership interest purchase agreement between DEP and Big Stone with respect to NMG IL 1 (the "**Amended NMG IL 1 MIPA**") and the first amended membership interest purchase agreement between DEP and Big Stone with respect to NMG IL 4 (the "**Amended NMG IL 4 MIPA**") do not purport to be complete and are qualified in their entirety by the NMG IL 1 Convertible Credit Agreement, the NMG IL 4 Convertible Credit Agreement, the NMG IL 1 MIPA, the NMG IL 4 MIPA, the Amended NMG IL 1 MIPA and the Amended NMG IL 4 MIPA, which are filed as Exhibits 10.80, 10.81, 10.82, 10.83, 10.84 and 10.85 to our Annual Report on Form 10-K filed with the SEC on November 14, 2023 and are incorporated by reference herein.

Stock Purchase Agreement and Management Services Agreement

On April 14, 2023, DEP entered into a stock purchase agreement (the “**Stock Purchase Agreement**”) with Big Bhang Events, LLC (“**Big Bhang**”) and NMG MI 1, whereby DEP agreed to sell all of the issued and outstanding common stock of NMG MI 1 (the “**Acquired Shares**”) to Big Bhang, a prequalified applicant approved to hold a Recreational Adult Use License under the Michigan Regulation and Taxation of Marijuana Act (the “**MRTMA**”), in exchange for a purchase price of \$1.00, and subject to adjustment for any federal, state and local taxes due and owing by NMG MI or DEP as well as a working capital adjustment. On June 13, 2023, DEP sold the Acquired Shares to Big Bhang, as all of the closing conditions were satisfied or expressly waived, and NMG MI 1 received from the Cannabis Regulatory Authority for the State of Michigan approval of the transaction and the license amendment evidencing Big Bhang as the sole owner of NMG MI 1. Pursuant to the terms of the Stock Purchase Agreement, Big Bhang delivered a cash payment of \$1.00 to DEP and DEP assigned, sold and transferred the Acquired Shares to Big Bhang.

Concurrently and in conjunction with entering into the Stock Purchase Agreement, NMG MI 1 and Big Bhang entered into a management services agreement (the “**Management Services Agreement**”), pursuant to which Big Bhang provides management and administrative services to NMG as described in Exhibit A to the Management Services Agreement, in exchange for a management fee equal to one hundred percent (100%) of the income and monies generated from the sale of all goods, products, and/or services relating to the business of NMG MI 1. The parties received implied approval of the Management Services Agreement from the CRA after submitting a License Maintenance update form on April 19, 2023 and the Management Services Agreement became effective as of May 1, 2023 and shall continue until the one (1) year anniversary thereof (the “**Term**”), which Term may be mutually extended by the parties, unless terminated earlier as set forth in the Management Services Agreement. In addition, during the Term, Big Bhang has full rights of management and control of the municipal and regulatory licenses, business, and the premises. Big Bhang may take any and all actions, either directly or on behalf of NMG MI 1, which Big Bhang deems, in its reasonable discretion, to be necessary in furtherance of the business, to the extent that such actions comply with applicable laws. Big Bhang may also change the trade or brand name of the business and/or premises during the Term, provided such change and name comply with applicable laws and are approved in advance by the CRA. Furthermore, except as otherwise provided in the Management Services Agreement, NMG MI 1 shall not, without the express prior approval of Big Bhang, take any action with respect to the operation of the business for which Big Bhang is authorized to take under the Management Services Agreement. Big Bhang shall assume all costs, obligations, liabilities, and expenditures of Licensee, which are incurred during the Term in connection with the services and the management and operation of NMG MI 1, the business, and the premise, and shall defend, indemnify, and hold harmless NMG MI 1 from all costs, obligations, liabilities, and expenditures. During the Term, Big Bhang shall assume all risk of loss to NMG MI 1 and/or the premise, and shall defend, indemnify, and hold harmless NMG MI 1 from all risk of loss.

NMG MI 1 shall retain all rights in the Intellectual Property (as defined in the Management Services Agreement). Any Intellectual Property that may be utilized by Big Bhang in connection with Big Bhang’s performance of the services under the Management Services Agreement will remain the property of NMG MI 1 or third-party company, and Big Bhang shall have no rights or interests therein, except as may otherwise be expressly provided in any separate agreement between the parties. In the event that Big Bhang acquires any rights in the Intellectual Property, by operation of law, or otherwise, such rights shall be deemed and are hereby irrevocably assigned to NMG MI 1 without further action by the parties. Big Bhang shall not, at any time during or after the Term of the Management Services Agreement dispute or contest, directly or indirectly, NMG MI 1’s right and title to the Intellectual Property or the validity thereof. Notwithstanding the foregoing, to the extent it is required for Big Bhang to perform the services under the Management Services Agreement, NMG MI 1 granted Big Bhang a royalty-free, right and license to exploit and exercise all such Intellectual Property rights in support of Big Bhang’s exercise or exploitation of the services.

The foregoing description of the Stock Purchase Agreement does not purport to be complete and is qualified in its entirety by the Stock Purchase Agreement, which is filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on April 19, 2023 and is incorporated by reference herein.

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Equity Purchase Agreement (NMG OH 1)

On July 21, 2023, DEP entered into an equity purchase agreement (the “EPA”) with FarmaceuticalRX, LLC (“Farmaceutical”), whereby DEP agreed to sell all of the issued and outstanding interests, equity, or profit interests (the “NMG OH 1 Interests”) in NMG OH 1, which owns and operates the Body and Mind Ohio dispensary, to Farmaceutical for US\$8.225 million in cash, which includes a deposit of US\$250,000 already paid by Farmaceutical to DEP, subject to adjustments based on estimated closing indebtedness, estimated transaction expenses, estimated closing cash, and a working capital adjustment. Closing of the transaction shall occur on the first day of the month following State of Ohio regulatory approval as well as satisfaction or waiver of all other closing conditions. The transaction also includes a contingent US\$2.5 million bonus payment to DEP for each additional dispensary license granted to NMG OH 1 by the State of Ohio Board of Pharmacy in the future, excluding any adult use license for the existing license held by NMG OH 1 and current lease location.

Farmaceutical and DEP entered into a side letter agreement contemporaneously with the EPA (the “NMG OH 1 Side Agreement”) to set forth the terms of their mutual understanding relating to operations and certain business decisions of NMG OH 1 during the period, starting at the signing of the EPA and up to and including the closing of the EPA with respect to scope of business agreement, management fee and expenses, ownership and control, limited trade license, regulatory matters, and miscellaneous matters, all as more specifically set out in the NMG OH 1 Side Agreement.

In connection with the Loan Agreement, as amended, the Company, DEP, NMG OH 1, the Agent and the Lender entered into a consent agreement (the “Consent Agreement”), pursuant to which the Agent consented to the transaction contemplated in the EPA, including the sales of the NMG OH 1 Interests, and agreed to the provision of a UCC-3 Termination Statement and any applicable releases of all Liens (as defined in the EPA) on the assets and property of NMG OH 1, provided certain conditions precedent and conditions subsequent are satisfied. The conditions subsequent of the Consent Agreement require DEP or any other Loan Party to cause the Agent to receive repayment upon the date or dates any funds are owed and/or paid to DEP or any other Loan Party pursuant to the EPA (any such date, a “Sale Payment Date”), in the amount of such proceeds (including the Deposit (as defined in the EPA), which shall be repaid to the Agent on the first Sale Payment Date after the effective date), which such repayment shall in each case be: (i) subject to the Exit Fee (as defined in the Loan Agreement), and (ii) applied to the principal balance at the premium rate of 105% so long as the final Sale Payment Date is on or before December 31, 2023, and at the premium rate of 107% any time thereafter. To the extent the Obligations (as defined in the Loan Agreement) are not repaid in full in cash on the closing date, the Loan Agreement shall remain in full force and effect, without any further modification thereto.

The foregoing descriptions of the Equity Purchase Agreement, the NMG OH 1 Side Agreement and the Consent Agreement do not purport to be complete and are qualified in their entirety by the Equity Purchase Agreement, the NMG OH 1 Side Agreement and the Consent Agreement, which are filed as Exhibits 10.88, 10.89 and 10.90 to our Annual Report on Form 10-K filed with the SEC on November 14, 2023, respectively, and are incorporated by reference herein.

On October 17, 2023 (the “Closing Date”), the Company’s wholly-owned subsidiary, DEP, NMG OH 1, and Farmaceutical closed the EPA, whereby DEP sold all of the issued and outstanding interests and other ownership, equity or profits interests in NMG OH 1 to Farmaceutical. Pursuant to the closing of the EPA, Farmaceutical paid an initial total consideration of \$8.225 million (\$7,975,000 on closing plus \$250,000 deposit upon signing of the EPA) (the “Initial Purchase Price”) in cash to DEP, which Initial Purchase Price is subject to a working capital adjustment and other customary adjustments pursuant to Section 2.3 of the EPA to be calculated within 365 days of the Closing Date (the “Final Purchase Price”). Based on the Accepted Adjustment Statement (as defined in the EPA), the parties shall determine if the Final Purchase Price shall be adjusted upwards or downwards. An amount equal to the Escrow Amount (as defined in the EPA) of \$100,000 from the Final Purchase Price is being held in escrow and will be released to DEP on the fifth day of the twelfth month after the Closing Date unless there are any indemnification claims pending until such time as the claim is resolved.

In addition, DEP shall receive a payment of \$2,500,000 (each, a “Bonus Payment”) for each additional dispensary license granted to NMG OH 1 by the State of Ohio Board of Pharmacy or other regulatory body, in accordance with the terms of the EPA. Additional dispensary licenses that will receive the Bonus Payment shall specifically exclude an adult use license issued for the License (as defined in the EPA) and current lease location.

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Full Repayment of Senior Secured Loan

Pursuant to the closing of the EPA with respect to NMGOH 1, the Company used \$7.34 million of the proceeds received from the sale of NMGOH 1 to fully repay the Lender all amounts owing under the Loan Agreement and the Term Note (as defined in the Loan Agreement).

Assignment of Convertible Loan with Comprehensive Care Group LLC

Effective March 15, 2019, the Company, through its wholly owned subsidiaries, DEP Nevada and NMG, entered into a convertible loan agreement (the “**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 March 30, 2024. Under no circumstances the maturity date of the convertible loan agreement shall extend beyond the expiration of the management agreement.

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 March 15, 2024 and can be mutually extendable. However, as of March 15, 2024, the management agreement between NMG and CCG ended and was not extended.

Pursuant to the Convertible Loan Agreement, DEP agreed to make loan advances to CCG from time to time in the aggregate principal amount of up to \$1,250,000 and as of July 31, 2023, DEP had loaned \$1,250,000 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. 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, 2024.

On or around August 22, 2023, DEP assigned the Convertible Loan Agreement to a related entity, Big Stone Farms AR 1, LLC, an Arkansas limited liability company, which is wholly owned by the Company’s Chief Operating Officer and Director, in exchange for an option to purchase the outstanding interests of Big Stone Farms AR 1, LLC for a purchase price of \$1.00.

On 31 January 2024, DEP has entered into a membership interest purchase agreement (the “**NMG Purchase Agreement**”) with Vegas Brazil LLC (“**Vegas Brazil**”), whereby DEP agreed to sell all of the issued and outstanding membership interests in NMG to Vegas Brazil. In connection with the NMG Purchase Agreement, both parties entered into a letter agreement (the “**Letter Agreement**”), commencing on December 15, 2023, the date Vegas Brazil accepts responsibility for all forward-going profits and losses for NMG. Pursuant to the Letter Agreement, at or prior to the closing date of the NMG Purchase Agreement, the Convertible Loan Agreement shall have been terminated or otherwise no longer in effect, or NMG shall no longer be a party to the Convertible Loan Agreement. However, in the event that the Convertible Loan Agreement remains in full force and effect post-closing of the NMG Purchase Agreement, Vegas Brazil expressly agrees, covenants, and warrants that it will ensure that NMG does not breach or engage in acts or omissions that result in a breach or an event of default occur under the Convertible Loan Agreement, use commercially reasonable efforts to maintain the Convertible Loan Agreement in full force and effect, and take all necessary steps and acts to assign and transfer the Convertible Loan Agreement to an entity of DEP’s choosing. The purchase price set forth in the NMG Purchase Agreement does not include the acquisition of the rights or interest in the Convertible Loan Agreement, and no benefit under the Convertible Loan Agreement shall inure to Vegas Brazil.

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As of March 15, 2024, the management agreement between NMG and CCG ended and was not extended. On or around September 18, 2023, Big Stone AR 1 exercised the conversion feature of the Convertible Loan Agreement to convert into preferred units of CCG at a conversion price equal to the current indebtedness under the Convertible Loan Agreement constituting forty percent (40%) of the overall ownership interests of CCG with the following preferred rights: (i) the right to an allocative share of sixty-six and 67/100 percent (66.67%) of the net profits of CCG and the right to distributions equal to sixty-six and 67/100 percent (66.67%) of the net profits on a monthly basis; (ii) the right to a sixty-six and 67/100 percent (66.67%) share of CCG's assets upon dissolution of CCG; and (iii) the right to sixty-six and 67/100 percent (66.67%) of all voting rights of members of CCG. On or around September 18, 2023, Big Stone AR 1 exercised the conversion feature of the convertible note and CCG members approved certain actions to allow Big Stone AR 1 to become a member of CCG through preferred units, to elect Big Stone AR 1 as the manager of CCG and to amend the operating agreement. The transfer of ownership as a result of conversion of the Convertible Loan Agreement is before the Arkansas regulator.

Membership Interest Purchase Agreement (NMG OH P1)

On September 5, 2023, DEP entered into a membership interest purchase agreement (the “**NMG OH P1 Purchase Agreement**”) with LMTB LLC, an Ohio limited liability company (the “**LMTB**”), pursuant to which DEP will sell the issued and outstanding membership interests (the “**NMG OH P1 Interests**”) in NMG OH P1 to LMTB for the purchase price of US\$2,000,000, subject to adjustment in the event that NMG OH P1's Working Capital (as defined in the NMG OH P1 Purchase Agreement) on the NMG OH P1 Closing Date (as hereinafter defined) varies from the Target Working Capital (as defined in the NMG OH P1 Purchase Agreement) and thereby fixed at zero (0) dollars). An amount equal to the Deposit (as defined in the NMG OH P1 Purchase Agreement), being US\$1,000,000, shall be held in escrow by Murphy Schiller & Wilkes LLP as escrow agent (the “**NMG OH P1 Escrow Agent**”) pursuant to the terms and conditions of an escrow agreement entered into among DEP, NMG OH P1 and LMTB contemporaneously with the NMG OH P1 Purchase Agreement.

Closing of the NMG OH P1 Purchase Agreement is subject to certain Closing Conditions (as defined in the Purchase Agreement), including but not limited to: (i) the approval of the State of Ohio Department of Commerce (the “**Ohio DoC**”) to change the ownership of the License (as defined in the NMG OH P1 Purchase Agreement) (the “**NMG OH P1 License**”) from DEP to LMTB pursuant to Ohio Admin. Code 3796:3-1-08; (ii) receipt of any other third-party consents required to effect such change of ownership of the License; (iii) renewal of the Lease (as defined in the NMG OH P1 Purchase Agreement) on terms acceptable to LMTB; and (iv) receipt from the landlord under the Lease and/or any lender to the landlord of all approvals required to permit LMTB to operate under the Lease. Closing shall occur on the later of: (i) the first calendar day of the month following the satisfaction or waiver, if applicable, of all Closing Conditions, including the receipt of all approvals for the transfer of the License by the Ohio DoC, or such earlier time as the parties agree; or (ii) seven (7) days following the satisfaction or waiver, if applicable, of all Closing Conditions (the “**NMG OH P1 Closing Date**”).

LMTB, DEP and NMG OH P1 entered into a side letter agreement contemporaneously with the NMG OH P1 Purchase Agreement (the “**NMG OH P1 Side Agreement**”) to set forth the terms of their mutual understanding relating to operations and certain business decisions of NMG OH P1 during the period starting at the signing of the NMG OH P1 Purchase Agreement and up to and including the NMG OH P1 Closing Date (the “**NMG OH P1 Pre-Takeover Period**”). Pursuant to the NMG OH P1 Side Agreement, LMTB will provide to NMG OH P1 certain administrative, finance and accounting, operational and compliance support during the NMG OH P1 Pre-Takeover Period.

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In connection with the Loan Agreement, as amended, the Company, DEP, NMGOH P1, the Agent and the Lender entered into a consent agreement (the “**NMGOH P1 Consent Agreement**”) on September 11, 2023. Pursuant to the NMGOH P1 Consent Agreement, the Agent and the Lender consented to the transaction contemplated in the Purchase Agreement, including the sales of the Interests, and has agreed to the provision or authorization of a UCC-3 Termination Statement and any applicable releases of all liens in favor of the Agent on the assets and equity of NMGOH P1 pursuant to the Loan Agreement, provided that certain conditions precedent and conditions subsequent are satisfied. The consent provided pursuant to the NMGOH P1 Consent Agreement is conditioned on the following conditions subsequent: (i) subject to the Exit Fee (as defined in the Loan Agreement) and applied Premium Rate (as defined in the Loan Agreement) of 105% upon any date the Purchase Price or any funds are owed or paid to DEP or any other Loan Party pursuant to the NMGOH P1 Purchase Agreement, the Loan Parties shall cause the Agent to directly receive a repayment in the amount of such proceeds paid directly by the Purchaser (inclusive of the Deposit) to be paid by the Purchaser or the Escrow Agent, as applicable, in each case applied as a mandatory repayment of the Principal Balance (as defined in the Loan Agreement), and (ii) the Closing Date shall occur on or before September 1, 2024; provided that this consent shall be rescindable by the Agent in entirety if any Default (as defined in the Loan Agreement) occurs or is continuing after December 31, 2023.

The foregoing descriptions of the NMGOH P1 Purchase Agreement, the NMGOH P1 Side Agreement and the NMGOH P1 Consent Agreement do not purport to be complete and are qualified in their entirety by the NMGOH P1 Purchase Agreement, the NMGOH P1 Side Agreement and the NMGOH P1 Consent Agreement, which are filed as Exhibits 10.1, 10.2, 10.3 to our Current Report on Form 8-K filed with the SEC on September 12, 2023, respectively, and are incorporated by reference herein.

Membership Interest Purchase Agreement (NMG)

On 31 January 2024, the Company’s wholly owned subsidiaries, DEP Nevada entered into the NMG Purchase Agreement with Vegas Brazil, pursuant to which DEP will sell the issued and outstanding membership interests in NMG to Vegas Brazil for the purchase price of US\$2,000,000, subject to adjustment in the event that NMG’s Working Capital (as defined in the NMG Purchase Agreement) on the NMG Closing Date (as hereinafter defined) varies from the Target Working Capital (as defined in the NMG Purchase Agreement and thereby fixed at zero (0) dollars). Closing shall occur no later than fifteen (15) calendar days following receipt of regulatory approval and satisfaction or waiver, if applicable, of all closing conditions, or in such other manner or at such other time or date as the parties may mutually agree in writing.

The purchase price of US\$2,000,000 consists of: (i) a cash deposit of US\$250,000 (paid); (ii) US\$750,000 in cash to be paid within six months of receipt of regulatory approval by the Nevada Cannabis Compliance Board, which cash payment will be covered by a personal guarantee of an affiliate of Vegas Brazil; and (iii) a secured promissory note in the amount of US\$1,000,000 (the “**Note**”) to be delivered by Vegas Brazil to DEP on the closing date, and which Note will be personally guaranteed by an affiliate of Vegas Brazil. The Note shall bear interest at the applicable federal rate as of the closing date and the Note will be paid in six (6) equal monthly payments with the first payment occurring on the seven (7) month anniversary of the closing date.

Contemporaneously with the NMG Purchase Agreement, DEP and Vegas Brazil entered into a Letter Agreement, commencing on December 15, 2023 (the “**Economic Takeover Date**”) and expiring on the earlier of: (i) the termination of the NMG Purchase Agreement, or (ii) the closing date of the NMG Purchase Agreement. Pursuant to the NMG Purchase Agreement, Economic Takeover Date is defined as the date Vegas Brazil takes over responsibility for all forward-going profits and losses.

Convertible Debenture Financing

On December 19, 2022, the Company entered into Securities Purchase Agreements (“**SPAs**”) with each of BAM I, A Series of Bengal Catalyst Fund SPV, LP, a Delaware limited partnership, Mindset Value Fund LP, a Delaware limited partnership, and Mindset Value Wellness Fund LP, a Delaware limited partnership (collectively, the “**Investors**”) pursuant to which the Company issued to the Investors unsecured five-year convertible debentures in the aggregate principal amount of \$3,000,000 (the “**Debentures**”) and common stock purchase warrants (the “**Warrants**”) to acquire 15,000,000 shares of common stock of the Company (each, a “**Warrant Share**”). The proceeds from the sale of the Debentures and the Warrants will be used for business development purposes.

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In addition, pursuant to the SPAs, following the closing and until the later of (a) the repayment or conversion of the Debentures, and (b) Bengal Impact Partners, LLC (“Bengal Capital”) (or any of its affiliates) ceasing to own at least 10% of the issued and outstanding shares of common stock on an as-converted basis in the aggregate, Bengal Capital shall be entitled to nominate one director to the Company’s Board and one Board observer, provided that the nominee director must meet the requirements of applicable corporate, securities and other applicable laws, and the policies of the Canadian Securities Exchange.

Bengal Catalyst Funds and CraftedPlants NJ Corp were both owned or managed by the principals of the Bengal Capital Group. As Joshua Rosen is a managing principal of the Bengal Capital Group, he was involved in both transactions of the convertible note investment and the merger acquisition of the NJ license.

Results of Operations for the three month periods ended January 31, 2024 and 2023:

The following table sets forth our results of operations for the three month periods ended January 31, 2024 and 2023:

	January 31, 2024	January 31, 2023
	\$	\$
Sales	4,428,660	4,433,607
Cost of Sales	(2,406,264)	(2,662,797)
Gross Margin	2,022,396	1,770,810
Operating Expenses	(2,866,475)	(3,204,237)
Net Loss from Continuing Operations	(1,464,919)	(2,162,216)
Net Loss	(168,800)	(2,741,048)
Foreign Currency Translation Adjustment	(109,791)	(10,342)
Comprehensive Loss	(278,591)	(2,751,390)
Basic and Diluted Loss Per Share - Continuing	(0.01)	(0.02)
Basic and Diluted Earnings Per Share – Discontinued	0.01	0.00

Revenues

For the three month period ended January 31, 2024 we had total sales of \$4,428,660 and cost of sales of \$2,406,264 for a gross margin of \$2,022,396 compared to total sales of \$4,433,607 and cost of sales of \$2,662,797 for a gross margin of \$1,770,810 in the three month period ended January 31, 2023. Gross margin increased due to decreasing wholesale prices, and the Company’s effort to reduce costs and lower inventory balance on hand at January 31, 2024.

During the three months ended January 31, 2024, the Company recorded product sales as follows:

Revenues – By Segment	Three months ended January 31, 2024	
	\$	%
Retail	4,428,660	100%
Total	4,428,660	

Operating Expenses

For the three month period ended January 31, 2024, operating expenses totaled \$2,866,475 compared with \$3,204,237 for the three month period ended January 31, 2023. A significant reason for the slight decrease in operating expenses between the periods related to modest decreases in accounting and legal, business development costs, depreciation and management fees. These decreases were partly offset by an increase in consulting fees, lease expense, licenses, utilities and office administration, and salaries and wages.

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The Company had a decrease in depreciation and amortization expense to \$96,039 compared to \$269,811 due to a lower balance of property and equipment and intangible assets to be depreciated/amortized due to declining balances and various impairments in prior periods. Overall, operating expenses are relatively consistent year over year.

Other Items

During the three month period ended January 31, 2024, our other items accounted for \$88,381 of losses as compared to losses of \$358,322 for the three month period ended January 31, 2023. The significant components in other items primarily relate to gain on fair value adjustment of convertible loan, the Company's interest income on the secured convertible note and interest expense on the long-term loan payable.

Net Loss

Net loss for the quarter ended January 31, 2024, totaled \$168,800 compared with \$2,741,048 for the quarter ended January 31, 2023, which consisted of net loss from continuing operations of \$1,464,919 (2023 - \$2,162,216) and income from discontinued operations of \$1,296,119 (2023 - loss of \$578,832). The income from discontinued operations includes the gain on disposition of NMG of \$2,288,383, net of tax.

Other Comprehensive Loss

We recorded a foreign currency translation adjustment loss of \$109,791 and loss of \$10,342 for the quarters ended January 31, 2024 and 2023, respectively, as a result of the weakening foreign exchange rate of CAD to USD. The amounts are included in the statement of operations as other comprehensive income for the respective periods.

Results of Operations for the six month periods ended January 31, 2024 and 2023:

The following table sets forth our results of operations for the six month periods ended January 31, 2024 and 2023:

	January 31, 2024	January 31, 2023
	\$	\$
Sales	8,986,886	9,066,119
Cost of Sales	(4,896,651)	(5,566,615)
Gross Margin	4,090,235	3,499,504
Operating Expenses	(6,007,017)	(6,042,190)
Net Loss from Continuing Operations	(5,215,893)	(3,997,438)
Net Loss	(4,985)	(5,693,843)
Foreign Currency Translation Adjustment	(478,993)	(80,402)
Comprehensive Loss	(483,978)	(5,774,245)
Basic and Diluted Loss Per Share - Continuing	(0.04)	(0.03)
Basic and Diluted Earnings (Loss) Per Share - Discontinued	0.04	(0.01)

Revenues

For the six month period ended January 31, 2024 we had total sales of \$8,986,886 and cost of sales of \$4,896,651 for a gross margin of \$4,090,235 compared to total sales of \$9,066,119 and cost of sales of \$5,566,615 for a gross margin of \$3,499,504 in the six month period ended January 31, 2023. Gross margin increased due to decreasing wholesale prices, and the Company's effort to reduce costs and lower inventory balance on hand at January 31, 2024.

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During the six months ended January 31, 2024, the Company recorded product sales as follows:

Revenues – By Segment	Six months ended January 31, 2024	
	\$	%
Retail	8,986,886	100%
Total	8,986,886	

Operating Expenses

For the six month period ended January 31, 2024, operating expenses totaled \$6,007,017 compared with \$6,042,190 for the six month period ended January 31, 2023. A significant reason for the slight increase in operating expenses between the periods related to modest increases in consulting fees, lease expense, licenses, utilities and office administration, management fees and salaries and wages. These increases were partly offset by a decrease in accounting and legal, business development costs, and depreciation.

The Company had a decrease in depreciation and amortization expense to \$192,081 compared to \$539,622 due to a lower balance of property and equipment and intangible assets to be depreciated/amortized due to declining balances and various impairments in prior periods. Overall, operating expenses are relatively consistent year over year.

Other Items

During the six month period ended January 31, 2024, our other items accounted for \$1,935,596 of losses as compared to losses of \$707,806 for the six month period ended January 31, 2023. The significant components in other items primarily relate to gain on fair value adjustment of convertible loan, loss on impairment, the Company's interest income on the secured convertible note and interest expense on the long-term loan payable. During the period, the Company paid off the \$6.66M loan together with interests and prepayment premium penalty of \$342,543. As a result, the Company recognized over \$1.1M in interest expense for the six months ended January 31, 2024 for the debt discount remaining to be amortized.

Net Loss

Net loss for the six months ended January 31, 2024, totaled \$4,985 compared with a net loss of \$5,693,843 for the six months ended January 31, 2023, which consisted of net loss from continuing operations of \$5,215,893 (2023 - \$3,997,438) and income from discontinued operations of \$5,210,908 (2023 – loss of \$1,696,405). The income from discontinued operations includes the gain on disposition of NMGOH 1 of \$4,058,665, net of tax, and the gain on disposition of NMGO of \$2,288,383, net of tax.

Other Comprehensive Income (Loss)

We recorded a foreign currency translation adjustment loss of \$478,993 and loss of \$80,402 for the six months ended January 31, 2024 and 2023, respectively, as a result of the weakening foreign exchange rate of CAD to USD. The amounts are included in the statement of operations as other comprehensive income for the respective periods.

Liquidity and Capital Resources

The following table sets out our cash and working capital as of January 31, 2024:

	As of January 31, 2024	As of July 31, 2023
	(unaudited)	
Cash reserves	\$ 1,455,250	\$ 1,460,311
Working capital (deficit)	\$ (5,961,758)	\$ 699,861

At January 31, 2024, we had cash of \$1,455,250 as compared to cash of \$1,460,311 at July 31, 2023.

Statement of Cash flows

During the six month period ended January 31, 2024, our net cash decreased by \$5,061 (2023 – increased by \$1,699,952), which included net cash used in operating activities from continuing operations of \$4,753,115 (2023 – \$1,749,183), net cash provided by operating activities from discontinued operations of \$3,854,293 (2023 – used \$403,120), for a net overall cash used in operating activities of \$898,822 (2023 - \$2,152,303).

Net cash provided by investing activities from continuing operations was \$194,385 (2023 – \$548,933), net cash provided by investing activities from discontinued operations was \$8,297,983 (2023 – used \$23,508), for a net cash from investing activities of \$8,492,368 (2023 – \$525,425).

Net cash used in financing activities was \$7,175,086 (2023 – provided \$3,010,758), and effect of foreign rate changes on cash was \$478,993 (2023 - \$80,402) and the change in cash included in assets held for sale was \$55,472 (2023 - \$396,474).

Cash Flow used in Operating Activities

Significant changes in cash used in operating activities are outlined as follows:

- The Company incurred a net loss from continuing operations of \$5,215,893 during the six months ended January 31, 2024 compared to \$3,997,438 in 2023. The net loss in 2024 included, among other things, accrued interest and accretion of \$1,246,711 (2023 - \$290,649), amortization of intangible assets of \$186,831 (2023 - \$514,826), operating lease expense of \$196,208 (2023 - \$497,656), depreciation of property and equipment of \$140,525 (2023 - \$94,056), accrued interest income of \$36,000 (2023 - \$36,000), gain on fair value adjustment of convertible loan of \$209,423 (2023 - \$nil), loss on impairment of equipment of \$124,649 (2023 - \$nil), and stock-based compensation of \$53,808 (2023 - \$54,471).

The following non-cash items further adjusted the loss for the six months ended January 31, 2024 and 2023:

- Increase in accounts receivable and prepaid of \$1,865,958 (2023 – \$38,518), decrease in inventory of \$266,200 (2023 – \$128,602), increase in deposits of \$739,324 (2023 - \$62), increase in trade payables and accrued liabilities of \$427,321 (2023 – \$73,603), increase in income taxes payable and deferred taxes of \$1,361,915 (2023 - \$1,242,908), decrease in due to related parties of \$17,819 (2023 – \$36,917), and decrease of operating lease liabilities of \$672,866 (2023 - \$537,019).

Cash Flow used in Investing Activities

During the six month period ended January 31, 2024, the change in cash from investing activities from continuing operations relates primarily to the purchased equipment of \$111,820 (2023 - \$nil), and loan advances from CCG in Arkansas of \$306,205 (2023 - \$548,933).

The change in cash provided by investing activities for the six month period ended January 31, 2024 from discontinued operations included the disposition of NMG OH 1 for \$8M and the deposits received from the disposition of NMG for \$250,000.

Cash Flow provided by Financing Activities

During the six month period ended January 31, 2024, cash used in financing activities relates primarily to the repayment of bank overdraft and repayment of \$6.66M secured loan plus interests, exit fee and a prepayment premium for an aggregate total of \$7.33M.

Off-balance sheet arrangements

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

Subsequent Events

On February 9, 2024, the Company issued 2,700,393 common shares to settle \$180,000 accrued advisory fees pursuant to the Bengal Advisory Agreement.

As of March 15, 2024, the management agreement between NMG and CCG ended and was not extended. On or around September 18, 2023, Big Stone AR I exercised the conversion feature of the Convertible Loan Agreement to convert into preferred units of CCG at a conversion price equal to the current indebtedness under the Convertible Loan Agreement constituting forty percent (40%) of the overall ownership interests of CCG with the following preferred rights: (i) the right to an allocative share of sixty-six and 67/100 percent (66.67%) of the net profits of CCG and the right to distributions equal to sixty-six and 67/100 percent (66.67%) of the net profits on a monthly basis; (ii) the right to a sixty-six and 67/100 percent (66.67%) share of CCG's assets upon dissolution of CCG; and (iii) the right to sixty-six and 67/100 percent (66.67%) of all voting rights of members of CCG. On or on around September 18, 2023, CCG members approved certain actions to allow Big Stone AR I to become a member of CCG through preferred units, to elect Big Stone AR I as the manager of CCG and to amend the operating agreement. The transfer of ownership as a result of conversion of the Convertible Loan Agreement is before the Arkansas regulator.

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.

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- 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.

- Long-lived assets and goodwill

Long-lived assets and goodwill are reviewed for indicators of impairment at least annually. When there are indications of impairment, the Company calculates the fair value of reporting units for goodwill and the fair value of the asset groups for long-lived assets using various valuation techniques, which require the input of highly subjective assumptions that can materially affect the fair value estimate.

- 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 adoption of this amendment did not have a significant impact on the 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. The adoption of this amendment did not have a significant impact on the 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.

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- 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 deficit of \$5,961,758 as at January 31, 2024. 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, improved operations and increased sales. The Company anticipates that current operations, cash on hand and working capital will ensure coverage for all expenses associated with current operations for at least the next 12 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 January 31, 2024, our principal executive and principal financial and accounting officers have concluded that these disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were not effective as of January 31, 2024 to provide reasonable assurance that information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in Securities and Exchange Commission rules and forms and that information required to be disclosed by us in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

In our assessment of the effectiveness of our internal control over financial reporting as at January 31, 2024, 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.

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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 January 31, 2024, 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 year, engaged in any material legal proceedings and none of our property is or was during that period the subject of any material legal proceedings. We currently have minor, immaterial claims in process and do not know of any material 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. You should carefully consider the risks discussed in the section entitled “Risk Factors” in our Form 10-K for the fiscal year ended July 31, 2023 (the “**2023 Form 10-K**”), which could materially affect our business, financial condition, or future results. The risks described in our 2023 Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we do not currently deem material, may also materially affect our business, results of operations, cash flows and financial position.

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

None that have not already been reported on a Current Report on Form 8-K.

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable

ITEM 5 – OTHER INFORMATION

During our fiscal quarter ended January 31, 2024, none of our directors or executive officers adopted, modified or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement” as defined in Item 408(c) of Regulation S-K.

ITEM 6 – EXHIBITS

The following exhibits are included with this Quarterly Report:

Exhibit	Description of Exhibit
31.1 (*)	Certification of Chief Executive Officer pursuant to the Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).
31.2 (*)	Certification of Chief Financial Officer pursuant to the Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).
32.1 (†)	Certifications pursuant to the Securities Exchange Act of 1934 Rule 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.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)

Notes:

(*) Filed herewith

(†) Furnished herewith

SIGNATURES

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

BODY AND MIND INC.

Date: March 25, 2024

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

Date: March 25, 2024

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