

EDGAR SUBMISSION SUMMARY

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Issuer Name	BODY & MIND INC.
Submission Type	10-Q
Live File	On
Return Copy	On
Exchange	NONE
Confirming Copy	Off
Filer CIK	0001715611
Filer CCC	xxxxxxx
Period of Report	10-31-2022
Smaller Reporting Company	On
Shell Company	Off
Emerging Growth Company	Yes
Elected not to use the extended transition period for complying with any new or revised financial accounting standards	Yes
Notify via Filing website Only	Off
Emails	filings@pubcoreporting.com

Documents

Form Type	File Name	Description
10-Q	bmmj_10q.htm	FORM 10-Q
EX-31.1	bmmj_ex311.htm	CERTIFICATION
EX-31.2	bmmj_ex312.htm	CERTIFICATION
EX-32.1	bmmj_ex321.htm	CERTIFICATION
EX-101.SCH	bmmj-20221031.xsd	XBRL TAXONOMY EXTENSION SCHEMA
EX-101.LAB	bmmj-20221031_lab.xml	XBRL TAXONOMY EXTENSION LABEL LINKBASE
EX-101.CAL	bmmj-20221031_cal.xml	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
EX-101.PRE	bmmj-20221031_pre.xml	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE
EX-101.DEF	bmmj-20221031_def.xml	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE

Module and Segment References

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **October 31, 2022**

or

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

For the transition period from _____ to _____

Commission File Number: **000-55940**

BODY AND MIND INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of organization)

98-1319227

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

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

(Address of principal executive offices)

V6E 2M6

(Zip code)

(800) 361-6312

(Registrant's telephone number, including area code)

None

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

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: 146,636,974 shares of common stock outstanding as of January 24, 2023.

BODY AND MIND INC.
FORM 10-Q
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PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Body and Mind Inc.

Statement 1

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

ASSETS	As of 31 October 2022 (unaudited)	As of 31 July 2022
Current		
Cash	\$ 1,302,124	\$ 1,854,277
Amounts receivable, net	538,785	475,578
Interest receivable on convertible loan (Note 6)	240,000	222,000
Prepays	683,770	775,701
Inventory (Note 5)	3,255,412	3,880,000
Loan receivable (Note 7)	674,675	789,984
Total Current Assets	6,694,766	7,997,540
Deposit	113,828	113,828
Convertible loan receivable (Note 6)	1,250,000	1,250,000
Property and equipment, net (Note 8)	5,380,001	5,640,534
Operating lease right-of-use assets (Note 13)	4,024,470	4,162,647
Brand and licenses, net (Note 10)	11,533,365	11,861,315
TOTAL ASSETS	\$ 28,996,430	\$ 31,025,864
LIABILITIES		
Current		
Accounts payable	\$ 2,879,200	\$ 2,489,353
Accrued liabilities	317,812	325,385
Income taxes payable	3,668,366	3,021,539
Due to related parties (Note 11)	104,826	163,862
Loans payable (Note 12)	12,527	12,535
Current portion of operating lease liabilities (Note 13)	649,957	604,445
Total Current Liabilities	7,632,688	6,617,119
Long-term operating lease liabilities (Note 13)	5,361,484	5,514,928
Loans payable (Note 12)	7,517,847	7,393,636
Income taxes payable	966,992	966,992
Deferred tax liability	402,397	427,770
TOTAL LIABILITIES	21,881,408	20,920,445
STOCKHOLDERS' EQUITY		
Capital Stock— Statement 3 (Note 14)		
Authorized:		
900,000,000 Common Shares – Par Value \$0.0001		
Issued and Outstanding:		
113,668,613 (31 July 2022–113,668,613) Common Shares	11,366	11,366
Additional paid-in capital	52,377,031	52,344,573
Shares to be issued	1,853,403	1,853,403
Accumulated other comprehensive income	1,154,033	1,224,093
Accumulated Deficit	(48,857,867)	(45,803,026)
TOTAL STOCKHOLDERS' EQUITY ATTRIBUTABLE TO BAM STOCKHOLDERS	6,537,966	9,630,409
NON-CONTROLLING INTEREST	577,056	475,010
TOTAL STOCKHOLDERS' EQUITY	7,115,022	10,105,419
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 28,996,430	\$ 31,025,864

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

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss (unaudited)

(U.S. Dollars)

	Three Month Period Ended 31 October	
	2022	2021
Sales	\$ 7,831,695	\$ 7,570,816
Cost of sales	(6,192,489)	(4,416,703)
Gross Profit	<u>1,639,206</u>	<u>3,154,113</u>
Operating Expenses		
Accounting and legal	223,291	259,144
Business development	171,160	94,759
Consulting fees	240,476	143,235
Depreciation and amortization	362,115	331,544
Lease expense	255,871	102,033
Licenses, utilities and office administration	1,280,405	845,747
Management fees	71,705	168,379
Salaries and wages	1,012,248	893,963
Total Operating Expenses	<u>(3,617,271)</u>	<u>(2,838,804)</u>
Net Operating Income (Loss)	<u>(1,978,065)</u>	<u>315,309</u>
Other Income (Expenses)		
Foreign exchange, net	1,967	(13)
Interest expense	(381,423)	(338,764)
Interest income	18,000	18,000
Other income (expense)	12,800	30,386
Net Income (Loss) for the Period Before Income Tax	<u>\$ (2,326,721)</u>	<u>\$ 24,918</u>
Income tax expense	(626,074)	(702,172)
Net Loss for the Period	<u>(2,952,795)</u>	<u>(677,254)</u>
Other Comprehensive Income		
Foreign currency translation adjustment	(70,060)	36,281
Comprehensive Loss for the Period	<u>\$ (3,022,855)</u>	<u>\$ (640,973)</u>
Net income (loss) attributable to:		
Body and Mind Inc.	(3,054,841)	(789,089)
Non-controlling interest	102,046	111,835
Comprehensive income (loss) attributable to:		
Body and Mind Inc.	(3,124,901)	(752,808)
Non-controlling interest	102,046	111,835
Loss per Share – Basic and Diluted	<u>\$ (0.03)</u>	<u>\$ (0.01)</u>
Weighted Average Number of Common Shares Outstanding	<u>113,668,613</u>	<u>109,748,878</u>

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

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

(U.S. Dollars)

	Share Capital		Additional paid-in capital	Shares to be issued	Accumulated other comprehensive income	Accumulated Deficit	Non -controlling interest	Total
	Common Shares Number	Amount						
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 14)	-	-	32,458	-	-	-	-	32,458
Foreign currency translation adjustment	-	-	-	-	(70,060)	-	-	(70,060)
Loss (income) for the period	-	-	-	-	-	(3,054,841)	102,046	(2,952,795)
Balance – 31 October 2022	<u>113,668,613</u>	<u>\$ 11,366</u>	<u>\$ 52,377,031</u>	<u>\$ 1,853,403</u>	<u>\$ 1,154,033</u>	<u>\$ (48,857,867)</u>	<u>\$ 577,056</u>	<u>\$ 7,115,022</u>
Balance – 31 July 2021	109,077,778	\$ 10,907	\$ 50,312,013	\$ -	\$ 1,127,713	\$ (17,126,510)	\$ 26,598	\$ 34,350,721
Common stock issued for lease liabilities	1,543,530	154	546,872	-	-	-	-	547,026
Stock-based compensation (Note 14)	-	-	145,175	-	-	-	-	145,175
Foreign currency translation adjustment	-	-	-	-	36,281	-	-	36,281
Loss (income) for the period	-	-	-	-	-	(789,089)	111,835	(677,254)
Balance – 31 October 2021	<u>110,621,308</u>	<u>\$ 11,061</u>	<u>\$ 51,004,060</u>	<u>\$ -</u>	<u>\$ 1,163,994</u>	<u>\$ (17,915,599)</u>	<u>\$ 138,433</u>	<u>\$ 34,401,949</u>

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

Condensed Consolidated Interim Statements of Cash Flows (unaudited)

(U.S. Dollars)

Cash Resources Provided By (Used In)	Three Month Period Ended 31 October	
	2022	2021
Operating Activities		
Net loss for the period	\$ (2,952,795)	\$ (677,254)
Items not affecting cash:		
Amortization of debt discount	114,221	117,744
Accrued interest income	(18,000)	(18,000)
Amortization of intangible assets	327,950	302,255
Amortization of operating lease ROU assets	320,719	77,037
Depreciation	268,853	202,394
Stock-based compensation	32,458	145,175
Amounts receivable and prepaids	28,724	6,294
Inventory	624,588	(416,118)
Trade payables and accrued liabilities	382,274	(118,882)
Income taxes payable and deferred taxes	621,454	700,352
Due to related parties	(59,036)	2,092
Operating lease liabilities	(290,474)	(66,578)
Cash used in operating activities	(589,074)	256,511
Investing Activities		
Investment in NMG Ohio, LLC , net of cash received	-	(54,415)
Purchase of property and equipment	(8,320)	(15,650)
Loan receivable	115,309	(162,011)
Cash used in investing activities	106,989	(232,076)
Financing Activities		
Loans repaid	(8)	(1,824)
Cash provided by financing activities	(8)	(1,824)
Effect of exchange rate changes on cash	(70,060)	36,281
Net Decrease in Cash	(552,153)	58,892
Cash– Beginning of Period	1,854,277	7,374,194
Cash– End of Period	\$ 1,302,124	\$ 7,433,086

Supplemental Disclosures with Respect to Cash Flows (Note 16)

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

Body and Mind Inc.**Notes to Condensed Consolidated Interim Financial Statements
For the Three Months ended 31 October 2022***(U.S. Dollars)***1. Nature and Continuance of Operations**

Body and Mind Inc. (the “Company”) was incorporated on 5 November 1998 in the State of Delaware, USA, under the name Concept Development Group, Inc. In May 2004, the Company acquired 100% of Vocalscape, Inc. and changed its name to Vocalscape, Inc. On October 28, 2005, the Company changed its name to Nevstar Precious Metals Inc. On October 23, 2008, the Company changed its name to Deploy Technologies Inc. (“Deploy Tech”) and, on September 15, 2010, the Company incorporated a wholly-owned subsidiary, Deploy Acquisition Corp. (“Deploy”) under the laws of the State of Nevada, USA. On September 17, 2010, the Company merged with and into Deploy under the laws of the State of Nevada. Deploy, as the surviving corporation of the merger, assumed all the assets, obligations and commitments of Deploy Tech, and we were effectively re-domiciled in the State of Nevada. Upon the completion of the merger, Deploy assumed the name “Deploy Technologies Inc.”, and all of the issued and outstanding common stock of Deploy Tech was automatically converted into and became Deploy’s issued and outstanding common stock.

On 14 November 2017, the Company acquired Nevada Medical Group, LLC (“NMG”) and changed its name to Body and Mind Inc. The Company is now a supplier and grower of medical and recreational cannabis in the state of Nevada, and has retail operations in California, Ohio, and Arkansas.

Principles of Consolidation

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

Name	Jurisdiction	Ownership	Date of acquisition or formation
DEP Nevada Inc. (“DEP Nevada”)	Nevada, USA	100%	10 August 2017
Nevada Medical Group, LLC (“NMG”)	Nevada, USA	100%	14 November 2017
NMG Long Beach, LLC (“NMG LB”)	California, USA	100%	18 December 2018
NMG San Diego, LLC (“NMG SD”)	California, USA	60%	30 January 2019
NMG Ohio LLC (“NMG Ohio”)	Ohio, USA	100%	27 April 2017
NMG OH 1, LLC (“NMG OH 1”)	Ohio, USA	100%	29 January 2020
NMG OH P1, LLC (“NMG OH P1”)	Ohio, USA	100%	29 January 2020
NMG MI 1, Inc. (“NMG MI 1”)	Michigan, USA	100%	24 June 2021
NMG MI C1 Inc.	Michigan, USA	100%	24 June 2021
NMG MI P1 Inc.	Michigan, USA	100%	24 June 2021
Canopy Monterey Bay, LLC (“Canopy”)	California, USA	100%	1 December 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

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

2. Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments–Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. ASU 2016-13 is effective for annual reporting periods, and interim periods within those years beginning after 15 December 2022. The Company does not anticipate this amendment to have a significant impact on the consolidated financial statements.

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.

Reclassification

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of current period financial statements. These reclassifications had no effect on the previously reported net loss.

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 2022 Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on 17 January 2023.

Amounts receivable

Amounts receivable represents amounts owed from customers for sale of medical and recreational cannabis and sales tax recoverable. Amounts are presented net of the allowance for doubtful accounts, which represents the Company's best estimate of the amount of probable credit losses in the existing accounts receivable balance. The Company determines the allowance for doubtful accounts based on historical experience and current economic conditions. The Company reviews the adequacy of its allowance for doubtful accounts on a quarterly basis. As of 31 October 2022 and 31 July 2022, 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 15 for revenue disaggregation table.

Inventory and cost of goods sold

Inventory consists of work in progress (live plants and plants in the drying process), finished goods, and consumables. The Company values its finished goods and consumables at the lower of the actual costs or its current estimated market value less costs to sell. The Company values its work in progress at cost using the average cost method.

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 October 2022 and 31 July 2022, 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.

Loans receivable

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

Property and equipment

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

Office equipment	7 years
Cultivation equipment	7 years
Production equipment	7 years
Kitchen equipment	7 years
Vehicles	7 years
Vault equipment	7 years
Leasehold improvements	shorter of useful life or the term of the lease

Intangible assets

Intangible assets acquired from third parties are measured initially at fair value and either classified as indefinite life or finite life depending on their characteristics. Intangible assets with indefinite lives are tested for impairment at least annually and intangible assets with finite lives are reviewed for indicators of impairment at least annually. The Company's brands and licenses acquired from NMG have indefinite lives; therefore no amortization is recognized. The Company's brands and licenses acquired by NMG SD have a finite life of 10 years, brands and licenses acquired by NMG LB and NMG OH 1 have a finite life of 10 years, customer relationships acquired by NMG OH 1 have a finite life of five years, licenses acquired by Canopy have a finite life of 10 years and are amortized over these estimated useful lives on a straight-line basis.

Goodwill

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

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.

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. Potentially dilutive options of 9,453,000 and warrants of 18,215,284 existed at 31 October 2022. This figure does not include 3,200,000 warrants issued to the Agent pursuant to the Loan Agreement, which warrants are held in escrow by us and are to be released to the Agent if we draw on the Delayed Draw Term Loan by 31 March 2023, or cancelled if we do not draw on the Delayed Draw Term Loan. Each warrant, if released to the Agent, will entitle the holder to acquire one share of common stock at an exercise price of US\$0.45 per share until 19 July 2025.

Comprehensive loss

ASC 220, "Comprehensive Income", establishes standards for the reporting and display of comprehensive income/loss and its components in the consolidated financial statements. As of 31 October 2022 and 31 July 2022, 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 0.7327 for monetary assets and liabilities and 0.7524 as an average rate for transactions occurred during the period ended 31 October 2022. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in the determination of net loss.

Stock-based compensation

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

Fair value measurements

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

- Level 1 – inputs are based upon unadjusted quoted prices for identical instruments in active markets.
- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques (e.g. the Black-Scholes model) for which all significant inputs are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, foreign exchange rates, and forward and spot prices for currencies.
- Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques, including option pricing models and discounted cash flow models. Our Level 3 assets and liabilities include investments in other private entities, and goodwill and intangible assets, when they are recorded at fair value due to an impairment charge. Unobservable inputs used in the models are significant to the fair values of the assets and liabilities.

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

The convertible loan receivable was valued using Level 3 inputs.

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

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.

4. Financial Instruments

The following table represents the Company's assets that are measured at fair value as of 31 October 2022 and 31 July 2022:

	<u>As of 31 October 2022</u>	<u>As of 31 July 2022</u>
Financial assets at fair value		
Cash	\$ 1,302,124	\$ 1,854,277
Convertible loan receivable	1,250,000	1,250,000
Total financial assets at fair value	<u>\$ 2,552,124</u>	<u>\$ 3,104,277</u>

Management of financial risks

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company reduces its exposure to credit risk by maintaining its cash with major financial institutions. Credit risk associated with the convertible loans receivable arises from the possibility that the principal and/or interest due may become uncollectible. The Company mitigates this risk by managing and monitoring the underlying business relationship.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures, as far as reasonably possible, that it will have sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company had working capital deficiency of \$937,922 at 31 October 2022 and the Company required additional financing to meet all current and future financial obligations which caused substantial doubt about its ability to continue as a going concern for a period of one year from the issuance of these financial statements. Subsequent to October 31, 2022, the Company alleviated the factor that caused substantial doubt by securing long term debt. The Company anticipates that 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.

Interest rate risk

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

Currency risk

Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to currency risk by incurring expenditures and holding assets denominated in currencies other than its functional currency.

5. Inventory

	<u>31 October</u> <u>2022</u>	<u>31 July</u> <u>2022</u>
Work in progress	\$ 572,069	\$ 610,030
Finished goods	1,211,406	1,961,244
Consumables	1,471,937	1,308,726
Total	\$ 3,255,412	\$ 3,880,000

6. Convertible loan receivable

Effective March 15, 2019, the Company, through its wholly owned subsidiaries, DEP Nevada and NMG, entered into a convertible loan agreement and a management agreement with Comprehensive Care Group LLC ("CCG"), an Arkansas limited liability company, with respect to the development of a medical cannabis dispensary facility in West Memphis, Arkansas. The convertible loan agreement can be extended by either party and the current agreement has a maturity date of 30 March 2023. Under no circumstances the maturity date of the convertible loan agreement shall extend beyond the expiration of the management agreement as described below.

Pursuant to the management agreement, NMG will provide operations and management services, including management, staffing, operations, administration, oversight, and other related services. Under the management agreement, NMG will be required to obtain approval from CCG for any key decisions as defined in the agreement and accordingly the Company does not control CCG. NMG will be paid a monthly management fee equal to 66.67% of the monthly net profits of CCG, subject to conversion of the convertible loan as discussed below upon which the monthly management fee shall be \$6,000 per month, unless otherwise agreed by the parties in writing. The management agreement has an expiration of 15 March 2024 and can be mutually extendable.

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

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The Company evaluated the convertible loan receivable's settlement provisions and elected the fair value option in accordance with ASC 825 "Financial Instruments", to value this instrument. Under such election, the loan receivable is measured initially and subsequently at fair value, with any changes in the fair value of the instrument being recorded in the consolidated financial statements as a change in fair value of the financial instruments. The Company estimates the fair value of this instrument by first estimating the fair value of the straight debt portion, excluding the embedded conversion option, using a discounted cash flow model. The Company then estimates the fair value of the embedded conversion option using the Black-Scholes Option Pricing Model. The sum of these two valuations is the fair value of the loan receivable balance of \$1,250,000. At 31 October 2022, the Company had advanced \$1,250,000 (31 July 2022 - \$1,250,000) and accrued interest income of \$18,000 (2021 - \$18,000) for the three months ended 31 October 2022, respectively. As of 31 October 2022, total interest receivable was \$240,000 (31 July 2022 - \$222,000).

The assumptions used in the Black-Scholes Option Pricing Model are as follows: (i) equity price of \$28,548 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 27.5%; (ii) exercise price of \$31,250 per unit as there are 40 units in total, (iii) volatility of 91% using BAM as benchmark, (iv) expected life of 2.92 years and (v) risk-free rate of 4.47%.

7. Loan receivable

In addition to the convertible loan receivable (Note 6), the Company provides operating loans to CCG that are non-interest bearing, unsecured and due on demand. During the three months ended 31 October 2022, the Company advanced \$303,716 (2021 - \$372,011) to CCG and received repayments totalling \$419,025 (2021 - \$210,000) for a net decrease in loan receivable of \$115,309 (2021 - net increase of \$162,011). At 31 October 2022, the amount receivable from CCG was \$674,675 (31 July 2022 - \$789,984).

8. Property and Equipment

	<u>Office Equipment</u>	<u>Cultivation Equipment</u>	<u>Production Equipment</u>	<u>Kitchen Equipment</u>	<u>Vehicles</u>	<u>Vault Equipment</u>	<u>Leasehold Improvements</u>	<u>Total</u>
Cost:								
Balance, 31 July 2022	\$ 638,987	\$ 466,110	\$ 581,335	\$ 63,102	\$ 38,717	\$ 10,335	\$ 6,510,191	\$ 8,308,777
Additions	6,735	-	-	-	-	-	1,585	8,320
Balance, 31 October 2022	<u>645,722</u>	<u>466,110</u>	<u>581,335</u>	<u>63,102</u>	<u>38,717</u>	<u>10,335</u>	<u>6,511,776</u>	<u>8,317,097</u>
Accumulated Depreciation:								
Balance, 31 July 2022	123,591	318,856	290,729	29,880	29,859	3,266	1,872,062	2,668,243
Depreciation	23,130	17,218	20,498	2,272	1,394	372	203,969	268,853
Balance, 31 October 2022	<u>146,721</u>	<u>336,074</u>	<u>311,227</u>	<u>32,152</u>	<u>31,253</u>	<u>3,638</u>	<u>2,076,031</u>	<u>2,937,096</u>
Net Book Value:								
At 31 July 2022	<u>515,396</u>	<u>147,254</u>	<u>290,606</u>	<u>33,222</u>	<u>8,858</u>	<u>7,069</u>	<u>4,638,129</u>	<u>5,640,534</u>
At 31 October 2022	<u>\$ 499,001</u>	<u>\$ 130,036</u>	<u>\$ 270,108</u>	<u>\$ 30,950</u>	<u>\$ 7,464</u>	<u>\$ 6,697</u>	<u>\$ 4,435,745</u>	<u>\$ 5,380,001</u>

For the three months ended 31 October 2022, a total depreciation of \$34,165 (2021 - \$27,826) was included in General and Administrative Expenses and a total depreciation of \$234,688 (2021 - \$174,568) was included in Cost of Sales.

9. Business Acquisitions

Canopy Monterey Bay, LLC

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 14). 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 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.

Subsequent to October 31, 2022, the Company completed the acquisition of all of the membership interests of Canopy and issued an aggregate of 16,301,694 shares of common stock to the Sellers. 2,238,806 of the 16,301,694 shares are being held in escrow pending the results of a working capital adjustment.

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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 14)	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.

Pro Forma

The following table summarizes our consolidated results of operations for the three months ended 31 October 2021 as though the acquisitions of Canopy had occurred on 1 August 2021:

	Three months ended 31 October 2021	
	As Reported	Pro Forma (unaudited)
Revenue	\$ 7,570,816	\$ 10,224,432
Net income (loss)	(677,254)	(908,030)

The unaudited pro forma information set forth above is for informational purposes only and include all adjustments necessary for the fair presentation, in all material respects, of the Company's combined operations including Canopy as if the business combinations occurred on 1 August 2021. No adjustments have been made to reflect potential cost savings that may occur subsequent to completion of the transactions. The unaudited pro forma financial information is not intended to reflect the results of operations of the Company which would have actually resulted had the proposed transaction been effected on the date indicated above. Further, the unaudited pro forma financial information is not necessarily indicative of the results of operations that may be obtained in the future. The actual pro forma adjustments will depend on a number of factors, and could result in a change to the unaudited pro forma financial information.

10. Intangible Assets, Net

	Gross carrying amount	Weighted average life (years)	As of 31 October 2022	
			Accumulated amortization	Net carrying amount
Amortizable intangible assets:				
Brand	\$ 425,000	-	\$ -	\$ 425,000
Licenses	13,813,508	10.0	(2,756,353)	11,057,155
Customer relationships	90,000	5.0	(38,790)	51,210
Total intangible assets	\$ 25,325,508		\$ (2,795,143)	\$ 11,533,365

	Gross carrying amount	Weighted average life (years)	As of 31 July 2022	
			Accumulated amortization	Net carrying amount
Amortizable intangible assets:				
Brand	\$ 425,000	-	\$ -	\$ 425,000
Licenses	13,813,508	10.0	(2,432,938)	11,380,570
Customer relationships	90,000	5.0	(34,255)	55,745
Total intangible assets	\$ 14,328,508		\$ (2,467,193)	\$ 11,861,315

Amortization expense for intangible assets was \$327,950 and \$302,255 for the three months ended 31 October 2022 and 2021, respectively.

During the year ended 31 July 2022, the Company recorded an impairment loss of \$42,000 and \$7,925,000 related to NMG's brand and licenses, respectively.

The expected amortization of the intangible assets, as of 31 October 2022, for each of the next five years and thereafter is as follows:

2023 (remaining)	\$ 973,156
2024	1,304,671
2025	1,301,106
2026	1,284,841
2027	1,283,116
Thereafter	4,961,475
	\$ 11,108,365

11. Related Party Balances and Transactions

In addition to those disclosed elsewhere in these consolidated financial statements, related party transactions paid/accrued for the three months ended 31 October 2022 and 2021 are as follows:

	For the three months ended 31 October 2022	For the three months ended 31 October 2021
A company controlled by the President, Chief Executive Officer and a director		
Management fees	\$ 54,931	\$ 119,596
A company controlled by the Chief Financial Officer and a director		
Management fees	32,363	30,602
A company controlled by the Corporate Secretary		
Management fees	18,132	18,181
	<u>\$ 105,426</u>	<u>\$ 168,379</u>

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

- a) As of 31 October 2022, the Company owed \$67,122 (31 July 2022 - \$102,480) to the Chief Executive Officer of the Company and a company controlled by him.
- b) As of 31 October 2022, the Company owed \$31,704 (31 July 2022 - \$31,704) to the Chief Operating Officer.
- c) As of 31 October 2022, the Company owed \$Nil (31 July 2022 - \$10,780) to the Chief Financial Officer of the Company and a company controlled by him.
- d) As of 31 October 2022, the Company owed \$6,000 (31 July 2022 - \$18,898) to the Corporate Secretary of the Company and a company controlled by him.

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

12. Loans Payable

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

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

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

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

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

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 is subject to compliance with certain provisions in Loan Agreement including provision of a satisfactory budget approved at the sole discretion of the Lender. The Amendment No. 2 to Loan Agreement increases the interest rate on the advanced funds from 13% to 15% per annum, which additional 2% interest may be paid in kind, with the interest being payable on the first day of each month. Amendment No. 2 to Loan Agreement provides for an exit fee equal to 1.5% of the principal balance, which is due and payable upon any payment, in part or in full, of the initial term loan and the delayed draw term loan. As partial consideration for Amendment No. 2 to Loan Agreement, the Company has issued 1,000,000 common stock purchase warrants (each, a “Warrant”) to the Lender. Each Warrant entitles the holder to acquire one share of common stock (each, a “Warrant Share”) at an exercise price of US\$0.16 per Warrant Share until June 14, 2027.

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

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 and the exit fee of \$100,000, are capitalized and amortized as par to the effective yield. The fair value of the 1,000,000 Warrants were valued at \$79,585 using the Black Scholes Option Pricing Model using the following assumptions:

During the three months ended 31 October 2022, the Company recorded \$124,211 related to the amortization of debt discount and \$256,058 related to the interest expense.

Long Beach loan

The loan payable at 31 October 2022 in the amount of \$12,527 (31 July 2022 - \$12,535) assumed from NMG LB 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 9). 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.

Expected life of the options	2.50 years
Expected volatility	102%
Expected dividend yield	0%
Risk-free interest rate	3.39%

13. 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 and increased to \$13,936 + common area expenses on 1 December 2022. 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 have 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 and increased to \$6,704 + common area expenses on 1 May 2022. 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.

- 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. The monthly base rent was \$15,913 + common area expenses, increased to \$16,390 + common area expenses on 1 December 2021 and increased to \$16,883 on 1 January 2022. The guaranteed monthly rent is subject to a 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 \$1,000,000 or 10% of the purchase price of the entire business, whichever is greater, in the event of sale or assignment of the lease.
- d) On 2 August 2018, NMG Ohio, LLC entered into a three-year lease agreement with MMCA Development, LLC, an Ohio limited liability company, for the property located at 709 Sugar Lane, Elyria, Ohio 44035, containing approximately 4,100 square feet. The Company has three options to extend the lease and each option is for three years. On 14 August 2020, NMG Ohio, LLC assigned the lease agreement to NMG OH 1, LLC. On 11 May 2021, we exercised our option to extend the lease agreement for an additional three years. The rent was \$4,000 per month and increased to \$4,200 per month on 1 July 2021. The minimum monthly rent is subject to a 5% increase for each option period.
- e) 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 rent was \$7,316 + common area expenses for unit 3411 and increased to \$7,682 + common area expenses, totaling \$9,340 every month, and is subject to a 5% increase on each anniversary date of the lease. The guaranteed monthly base rent for unit 3413 is \$1,632 + common area expenses and is subject to a 3% increase on each anniversary date of the lease agreement.
- f) 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.
- g) On 23 April 23, 2021, NMG MI 1, Inc. entered into a five-year lease agreement with Kendal Properties, LLC (“Kendal”), a Michigan limited liability company, for the property located at 885 E. Apple Ave., Muskegon, Michigan 49442, containing approximately 2,500 square feet. The base rent is \$ 5,000 during the operational period, which began after the rent abatement and reduced rent periods. The lease agreement includes 2% annual base rent increases and three options to extend for five-years each.

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

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

During the year ended 31 July 2022, the Company accrued \$151,480 as all milestones were met and later issued the necessary common shares to settle \$75,000 of this liability (Note 14).

On 3 March 2022, the Company's subsidiary, NMG MI 1, Inc. entered into an Amendment No. 1 to Lease Agreement with Kendal Properties, LLC with respect to the premises located at 885 E. Apple Ave., Muskegon, Michigan, whereby the parties amended the original Lease Agreement to provide that two of the milestone payments that were to be made in the form of the Company's shares are to now be made in the form of cash. At 31 July 2022, the accrued liabilities for the above milestones are fully settled

- h) 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 is \$22,500 during the operational period, beginning after the rent abatement and reduced rent periods. 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. 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 (Note 14). 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 October 2022.

- i) 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 is \$7,500 during the operational period, beginning after the rent abatement and reduced rent periods. 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.

On 21 September 2021, the Company issued the necessary common shares to settle milestone (i) above (Note 14). 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. Milestones (iii) and (iv) have not yet been achieved as of 31 October 2022.

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

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

- j) On 1 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 \$9,270 per month until June 2023.

Canopy Monterey Bay, LLC agreed to pay the landlord a maintenance fee equal to 1.5% of gross sales each month.

- k) 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 is \$4,482 per month plus common area expenses. The lease agreement includes 4% annual base rent increases and two options to extend for three years each.

- l) 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 and increases to \$9,590 plus common area expenses on the seventh month

During the three months ended 31 October 2022, the Company recorded a total lease expense of \$320,718 related to the accretion of lease liabilities and the amortization of right-of-use assets of which \$255,871 was included in General and Administrative Expenses and \$64,847 was included in Cost of Sales for the three months ended 31 October 2022.

Supplemental cash flow information related to leases was as follows:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 290,474
Weighted-average remaining lease term – operating leases	7.13 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
2023 (remaining)	\$ 1,018,818
2024	1,280,541
2025	1,308,943
2026	1,248,160
2027	1,110,515
2028 and thereafter	3,172,662
Total lease payments	\$ 9,139,639
Less imputed interest	(3,128,198)
Total	\$ 6,011,441
Less current portion	(649,957)
Long term portion	\$ 5,361,484

14. Capital Stock

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

On 21 September 2021, the Company issued 238,929 common shares to one entity based on the terms and conditions of the certain lease agreement for the Muskegon, Michigan premises and issued an aggregate of 1,304,601 common shares to another entity based on the terms and conditions of the two lease agreements for the Manistee, Michigan premises (Notes 13 and 16).

Pursuant to the ShowGrow Long Beach Purchase Agreement, the Company issued 2,681,006 common shares in escrow. The share consideration remains subject to reduction with reference to the liabilities of the business that will be outstanding on the closing date, which is expected to occur in the near future (Note 17).

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 9).

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.

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 2021	9,855,000	CAD\$0.71	2.76	CAD\$ -
Granted	848,000	CAD\$0.37		CAD\$ -
Cancelled	(1,250,000)	CAD\$0.70		CAD\$ -
Outstanding at 31 July 2022	9,453,000	CAD\$0.67	2.11	CAD\$ -
Outstanding at 31 October 2022	9,453,000	CAD\$0.67	1.86	CAD\$ -
Vested and fully exercisable at 31 October 2022	8,804,500	CAD\$0.68	1.72	CAD\$ -

The Company recorded total stock-based compensation expense of \$32,458 (2021 - \$145,175) for the three months ended 31 October 2022 and 2021, 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

As of 31 October 2022 and 31 July 2022, the following warrants are outstanding:

Number of warrants outstanding and exercisable	Exercise price	Expiry dates
11,780,134	CAD\$1.50	16 May 2023
635,150	CAD\$1.26	17 May 2023
4,800,000	USD\$0.40	19 July 2025
1,000,000	USD\$0.16	14 June 2027
18,215,284 ⁽¹⁾	CAD\$1.16	

- (1) This figure does not include 3,200,000 warrants issued to the Agent pursuant to the Loan Agreement, which warrants are held in escrow by us and are to be released to the Agent if we draw on the Delayed Draw Term Loan by March 31, 2023, or cancelled if we do not draw on the Delayed Draw Term Loan. Each warrant, if released to the Agent, will entitle the holder to acquire one share of common stock at an exercise price of US\$0.45 per share until July 19, 2025.

15. 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:

- Wholesale;
- Retail; and
- All others

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

Segment revenue and net loss were as follows during the three months ended 31 October 2022:

	<u>31 October</u> <u>2022</u>
Revenue	
Wholesale	\$ 1,305,981
Retail	6,525,714
Total	<u>\$ 7,831,695</u>
Net loss	
Wholesale	\$ (1,238,870)
Retail	523,885
All others	(2,237,810)
Total	<u>\$ (2,952,795)</u>

During the three months ended 31 October 2022, the Company had no major customer over 10% of its revenues.

16. Supplemental Disclosures with Respect to Cash Flows

	<u>Three Months Ended 31 October</u>	
	<u>2022</u>	<u>2021</u>
Cash paid during the period for interest	\$ 222,451	\$ 219,074
Cash paid during the period for income taxes	\$ 4,620	\$ 1,896

Pursuant to certain licensing milestones being achieved under a lease agreement for a premises in Muskegon, Michigan and certain licensing and operational milestones being achieved under two lease agreements for a premises in Manistee, Michigan, on 21 September 2021, the Company issued 238,929 shares of common stock to one entity based on the terms and conditions of the certain lease agreement for the Muskegon, Michigan premises and issued an aggregate of 1,304,601 shares of common stock to another entity based on the terms and conditions of the two lease agreements for the Manistee, Michigan premises (Notes 13 and 14).

17. Commitments

On July 3, 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 NMG LB receiving the transfer of all licenses, permits and BCC authorizations for NMG LB to conduct medical and adult-use commercial cannabis retail operations. The 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.

18. 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.

19. Subsequent Events

Acquisition of Canopy Monterey Bay, LLC

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\$0.1340 per share. 2,238,806 of the 16,301,694 shares are being held in escrow ending the results of a working capital adjustment in accordance with MIPA #1 and MIPA #2.

Limited Waiver and Amendment to Loan Agreement

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.

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 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.

Agreement and Plan of Merger

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”) and those certain shareholders of the Surviving Entity (the “Sellers”) entered into an Agreement and Plan of Merger (the “Merger Agreement”) whereby 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.

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.

Pursuant to the terms of the Merger Agreement, on the closing DEP delivered a cash payment of US\$50,000 to the Sellers, with a delayed payment of US\$120,000 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 (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.

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, 2022, 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, 2022.

Introduction

This MD&A is focused on material changes in our financial condition from July 31, 2022, our most recently completed year end, to October 31, 2022, and our results of operations for the three months ended October 31, 2022, and should be read in conjunction with Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations as contained in our Annual Report on Form 10-K for the fiscal year ended July 31, 2022.

Company Overview

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

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

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

We have a 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.

In April 2020, we closed the San Diego ShowGrow dispensary transaction, which is owned 60% by our wholly-owned subsidiary, NMG San Diego, LLC (“NMG SD”), and has received all licenses, permits and authorizations required to conduct medical and adult-use commercial cannabis retail operations. The San Diego ShowGrow dispensary opened in early July 2020. We, through our wholly-owned subsidiary, NMG Long Beach, LLC (“NMG LB”), have been managing the Long Beach dispensary operations, received all approvals and final license transfer for the dispensary, which was transferred to NMG LB at the end of August 2020 and is expected to close in the near future.

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

On November 30, 2021, we, through our wholly owned subsidiary, DEP Nevada, Inc., a Nevada corporation (“**DEP**”) entered into two membership interest purchase agreements with Canopy Monterey Bay, LLC (“**Canopy**”) and the membership interest owners of Canopy to acquire an aggregate of 100% of Canopy, which owns a retail dispensary in the limited license jurisdiction of Seaside, California, called “The Reef.” The Company through DEP completed the acquisition of all of the membership interests of Canopy on December 7, 2022.

In Ohio, we, through NMG, were managing the fully operational The Clubhouse dispensary located in Elyria, Ohio, which was owned by NMG Ohio LLC, of which we owned 30% through our subsidiary NMG, and had an agreement to acquire the remaining 70% of NMG Ohio LLC. We received all approvals and final license and name transfer from the Ohio Department of Pharmacy in early September 2020 and transferred the dispensary license and all assets and liabilities associated with such dispensary from NMG Ohio LLC to a 100% owned subsidiary of Body and Mind; however, the transfer of the remaining 70% interest in NMG Ohio LLC to NMG did not occur until NMG Ohio LLC receives a production license. On September 17, 2021, the final award of the production license was transferred to our wholly owned subsidiary, NMG OH P1 LLC, and the transaction closed resulting in NMG now owning 100% of NMG Ohio.

In Arkansas, we, through NMG, manage the “Body and Mind” branded medical marijuana dispensary including cultivation in West Memphis, Arkansas. The dispensary opened on April 27, 2020 and the cultivation commenced operations on April 6, 2021. On October 28, 2020, the dispensary was awarded best dispensary in Arkansas by Ark420.com.

In Michigan we, through NMG MI 1, Inc. opened a retail location in Muskegon Michigan on February 2, 2022 and operate the dispensary as a Body and Mind branded dispensary. On September 21, 2021 we announced the Company has leased a commercial building in Manistee, MI with the intent of developing a cultivation facility with 50,000 square feet of canopy as well as a production facility. On April 7, 2022 the Company announced it would pause development of the cultivation and production developments. The Company continues to evaluate the projects.

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 entered into an Agreement and Plan of Merger whereby Merger Sub merged with and into CraftedPlants, and following the consummation of the merger, which occurred on December 21, 2022, CraftedPlants, as the surviving entity of the merger, became a wholly-owned subsidiary of DEP and changed its name to BaM Body and Mind Dispensary NJ, Inc. BaM Body and Mind Dispensary NJ, Inc. leases a New Jersey retail location with local cannabis-use approval, and is currently working on attaining final state licensure in New Jersey.

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

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

Intercorporate Relationships

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

Name of Entity	Place of Incorporation/Formation	Ownership Interest	Date of Acquisition or formation
DEP Nevada Inc. ⁽¹⁾	Nevada, USA	100%	August 10, 2017
Nevada Medical Group, LLC ⁽²⁾	Nevada, USA	100%	November 14, 2017
NMG Long Beach, LLC ⁽³⁾	California, USA	100%	December 18, 2018
NMG Cathedral City, LLC ⁽⁴⁾	California, USA	100%	January 4, 2019
NMG San Diego, LLC ⁽⁵⁾	California, USA	60%	January 30, 2019
NMG Ohio LLC ⁽⁶⁾	Ohio, USA	100%	April 27, 2017
NMG OH 1, LLC ⁽⁷⁾	Ohio, USA	100%	January 30, 2020
NMG OH P1, LLC ⁽⁸⁾	Ohio, USA	100%	January 30, 2020
NMG MI 1, Inc. ⁽⁹⁾	Michigan, USA	100%	June 24, 2021
NMG MI P1 Inc. ⁽¹⁰⁾	Michigan, USA	100%	June 24, 2021
NMG MI C1 Inc. ⁽¹¹⁾	Michigan, USA	100%	June 24, 2021
Canopy Monterey Bay, LLC ⁽¹²⁾	California, USA	100%	November 30, 2021
NMG CA P1, LLC ⁽¹³⁾	California, USA	100%	January 7, 2020
NMG CA C1, LLC ⁽¹⁴⁾	California, USA	100%	October 7, 2020
BaM Body and Mind Dispensary NJ, Inc. ⁽¹⁵⁾	New Jersey, USA	100%	December 21, 2022

Notes:

- (1) DEP Nevada Inc. is a wholly-owned subsidiary of Body and Mind Inc.
- (2) Nevada Medical Group, LLC is a wholly-owned subsidiary of DEP Nevada Inc.
- (3) NMG Long Beach, LLC is a wholly-owned subsidiary of DEP Nevada Inc..
- (4) NMG Cathedral City, LLC is a wholly-owned subsidiary of DEP Nevada Inc. and was dissolved on March 8, 2022.
- (5) NMG San Diego, LLC is a 60% owned subsidiary of DEP Nevada Inc..
- (6) NMG Ohio LLC is a wholly-owned subsidiary of Nevada Medical Group LLC
- (7) NMG OH 1, LLC is a wholly-owned subsidiary of DEP Nevada Inc.
- (8) NMG OH P1, LLC is a wholly-owned subsidiary of DEP Nevada Inc.
- (9) NMG MI 1, Inc. is a wholly-owned subsidiary of DEP Nevada, Inc.
- (10) NMG MI P1 Inc. is a wholly-owned subsidiary of DEP Nevada, Inc.
- (11) NMG MI C1 Inc. is a wholly-owned subsidiary of DEP Nevada, Inc.
- (12) Canopy Monterey Bay, LLC is a wholly-owned subsidiary of DEP Nevada, Inc.
- (13) NMG CA P1, LLC is a wholly-owned subsidiary of DEP Nevada, Inc.
- (14) NMG CA C1, LLC is a wholly-owned subsidiary of DEP Nevada, Inc.
- (15) BaM Body and Mind Dispensary NJ, Inc. (formerly, CraftedPlants NJ Corp.) is a wholly-owned subsidiary of DEP Nevada, Inc.

Business Operations

Development of Our Business

Incorporation and Early Corporate History

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

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

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

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

Acquisition of Nevada Medical Group, LLC

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

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

Concurrent with the Share Exchange Agreement, we completed an equity financing to raise aggregate gross proceeds of CAD\$6,007,430 through the issuance of subscription receipts (the “**Subscription Receipts**”), at a pre-Consolidation price of CAD\$0.22 per Subscription Receipt (the “**Concurrent Financing**”). On November 14, 2017, each Subscription Receipt was exchanged in accordance with its terms, for no additional consideration, for one pre-Consolidation Common Share and one common share purchase warrant (each a “**Warrant**”) of the Company. Each Warrant was exercisable by the holder at a price of CAD\$0.90 for a period of 24 months from the date of issuance.

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

Convertible Loan and Management Agreements with Comprehensive Care Group LLC

On March 19, 2018, we, through our wholly-owned subsidiaries DEP and NMG, entered into a convertible loan agreement (the “**Convertible Loan Agreement**”) and a management agreement (the “**Management Agreement**”), respectively, with Comprehensive Care Group LLC (“**CCG**”), an Arkansas limited liability company, with respect to the development of a medical marijuana dispensary including a 50 flowering plant cultivation facility in West Memphis, Arkansas which agreements were effective as of March 15, 2019.

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

The interest on the outstanding principal amount is currently set at \$6,000 per month, payable monthly in arrears on or before the first calendar day of each month. CCG is not obligated to repay any principal outstanding under the loan until March 30, 2021. Either CCG or DEP may unilaterally extend the maturity date by one year, and may thereafter continue to extend the maturity date on a yearly basis by increments of one year (each, an “**Extension Option**”) by providing written notice of the exercise of the Extension Option by the party seeking an extension to the other party; provided, however, that under no circumstances shall any extended maturity date extend beyond the expiration of the term of the Management Agreement entered into between NMG and CCG. The Company extended the loan maturity date by one year resulting in a new maturity date of March 30, 2023. The Management Agreement has an expiration of March 15, 2024 and can be mutually extendable.

Upon the latter of: (a) one year after granting of a medical marijuana dispensary license by the Arkansas Medical Marijuana Commission to CCG, or (b) one year after entering into the Convertible Loan Agreement, DEP may, in its sole discretion, subject to DEP providing all reasonable assistance to obtain all necessary approvals from the applicable government authorities to engage in the medical marijuana dispensary business, elect to convert all of the outstanding indebtedness into preferred units of CCG equal to 40% of the overall member units of CCG, subject to approval of the Arkansas Medical Marijuana Commission, with the following preferred rights: (i) the right to an allocative share of 66.67% of the net profits of CCG (as defined in the Convertible Loan Agreement) and the right to distributions equal to 66.67% of the net profits on a monthly basis; (ii) the right to a 66.67% share of CCG’s assets upon dissolution of CCG; and (iii) the right to 66.67% of all voting rights of members of CCG. DEP is waiting for regulatory clearance from the State regulators before proceeding with the conversion

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

Acquisition of NMG Ohio LLC

We, through NMG, currently own NMG Ohio, LLC (“**NMG Ohio**”), which had a cannabis dispensary carrying on business as “The Clubhouse” in Elyria, Loraine County, Ohio. On January 31, 2019, we, through NMG, entered into a definitive agreement to acquire the remaining 70% interest in NMG Ohio. The consideration for the remaining 70% interest in NMG Ohio consists of cash payments totaling \$1,575,000 and 3,173,864 common shares of the Company. As at the date hereof, we have issued 3,173,864 common shares, with a fair value of \$1,188,168, and paid \$1,575,000. All share and cash payments for the transactions have been paid in full and closing of the acquisition was subject to receipt of regulatory approval, which all approvals and final license and name transfer approvals from the Ohio Department of Pharmacy were received in early September 2020 but the remaining 70% was not closed as of July 31, 2021. As such, the dispensary license for The Clubhouse dispensary, as well as the assets and liabilities associated with the dispensary, were transferred to the Company’s wholly-owned subsidiary, NMG OH 1 LLC. On September 17, 2021, the final award of the production license was transferred to our wholly owned subsidiary, NMG OH P1 LLC, and the transaction closed resulting in NMG now owning 100% of NMG Ohio.

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

Prior Agreement with Green Light District Holdings Inc.

On November 28, 2018, we entered into an interim agreement (the “**Prior GLDH Agreement**”) with Green Light District Holdings Inc. (“**GLDH**”), a private company incorporated under the laws of Delaware, and David Barakett, whereby our Company agreed to acquire up to 100% of the issued and outstanding common shares of GLDH. We concurrently made a strategic investment in a senior secured convertible note issued by GLDH in the principal amount of \$5,200,000 (the “**Prior GLDH Note**”), bearing interest at the rate of 20% per annum and maturing on November 28, 2020.

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

- (a) the ShowGrow Long Beach dispensary,
- (b) 43% of the equity interest and 60% of the voting rights in the ShowGrow San Diego dispensary, and
- (c) 30% of the equity interest in the ShowGrow Las Vegas dispensary.

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

In order to fund our original investment in GLDH, Australis advanced a \$4,000,000 loan which was evidenced by a senior secured note dated November 28, 2018, bearing an interest rate of 15% per annum and maturing in two years. The terms required semi-annual interest payments unless we elected to accrue the interest by adding it to the principal amount of the debt facility. We may prepay the loan at any time, in any amount, subject to a 5% prepayment penalty on any amount repaid within the first year of the loan. Additionally, Australis exercised \$1.2 million in warrants they held in our Company at an exercise price of CAD\$0.50, which equated to 3,206,160 common shares.

We paid a financing fee to Australis in the approximate amount of CAD\$795,660, by issuing 1,105,083 Common Shares at a deemed price of CAD\$0.72 per share.

Original Settlement and Release Agreement

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

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

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

Amended and Restated Settlement and Release Agreement

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

- i. GLDH, Airport Collective, and Mr. Barakett agreed to release us from all claims related to the Prior GLDH Agreement upon closing of the Asset Purchase Agreement in consideration of the following:
 - A. the Company issuing to Mr. Barakett or his designee up to 1,340,502 Common Shares at a deemed price of CAD\$0.7439 per share, subject to NMG SD receiving all licenses, permits, and authorizations required for NMG SD to conduct medical commercial cannabis retail operations at the San Diego Location (the “**SD Medical Licenses**”) (issued);
 - B. the Company issuing to Mr. Barakett or his designee up to 1,340,502 Common Shares at a deemed price of CAD\$0.7439 per share, subject to NMG SD receiving all licenses, permits, and authorizations required for NMG SD to conduct adult-use commercial cannabis retail operations at the San Diego Location (the “**SD Adult-use Licenses**”) (issued); and
 - C. the Company paying certain legal and consulting expenses incurred by GLDH, Airport Collective and Barakett in an aggregate amount of US\$90,500 (paid); and
- ii. SGSD agreed to assign its lease for the San Diego Location to NMG SD, and to release our Company, NMG LB and NMG SD from any and all claims, in consideration of the payment by us of a total of US\$500,000 to SGSD’s members, to be paid and satisfied by the issuance of Common Shares to them at the maximum discount allowed by the CSE (issued).

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

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

- i. \$700,000 in Common Shares of the Company calculated upon execution of the assignment and first amendment to commercial lease (the “**Assignment and First Amendment**”), dated June 13, 2019, at the maximum discount allowed by the CSE to be issued to the landlord immediately following execution of the Assignment and First Amendment (1,031,725 shares issued on August 12, 2019);
- ii. \$783,765.26 in cash to be paid to the landlord via bank draft within five (5) business days of execution of the Assignment and First Amendment (paid); and
- iii. \$750,000 in cash, plus interest at the rate of five percent (5%) simple per annum accruing from the effective date to be paid no later than five (5) business days of the landlord’s receipt from the City of San Diego of a Conditional Use Permit allowing adult-use commercial cannabis storefront retail operations at the San Diego Location (paid).

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

Amended and Restated Convertible Note and General Security Agreement

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

Asset Purchase Agreement

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

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

Contemporaneous Loan

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

Management Assignment and Assumption Agreement

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

Acquisition of Canopy

Membership Interest Purchase Agreement #1

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 “**Purchased Interests**”) of Canopy from Cary Stiebel (the “**Continuing Owner**”), Jana Stiebel, Jayme Rivard, Adrian Dermicek, and Laurie Johnson (collectively, the “**Sellers**”).

As consideration for DEP’s purchase of the Purchased Interests, DEP will pay to Sellers a total purchase price of \$4,800,000.00 comprised of: (i) \$2,500,000.00 to be paid in cash (the “**Cash Purchase Price**”); and (ii) \$2,300,000.00 of debt to be evidenced by a secured promissory note (the “**Promissory Note**”).

Pursuant to MIPA #1, DEP is obligated to transfer the Cash Purchase Price in escrow to Secured Trust Escrow, Inc. (the “**Escrow Agent**”) and, following such transfer, the Sellers are to assign the Purchased Interests to DEP on either the first or the sixteenth day of the first calendar month following DEP’s transfer of the Cash Purchase Price to the Escrow Agent. As a closing condition, DEP is also required to deliver the Promissory Note to the Sellers. MIPA #1 specifically states that the Cash Purchase Price is not to be released from escrow by the Escrow Agent to the Sellers until receipt by DEP of approval of the transaction from the local and state regulators, and the completion of any required audited annual financial statements and unaudited interim financial statements of Canopy prepared in accordance with US GAAP.

As described below, contemporaneous with the execution of MIPA #1, DEP also entered into a second membership interest purchase agreement to purchase, subject to all approvals required by applicable laws and regulations, the remaining twenty percent (20%) of the issued and outstanding membership interests of Canopy from the Continuing Owner (“**MIPA #2**”). In MIPA #1, the parties have agreed that the target working capital for Canopy on the date that DEP is assigned the Purchased Interests shall be Zero Dollars (\$0.00). The Sellers are obligated to deliver a statement of financial position for Canopy that provides, among other things, Canopy’s current working capital. DEP has up to one (1) year from the delivery of such statement to provide an adjusted statement based on DEP’s further financial due diligence. The Sellers will then have an opportunity to dispute and if no agreement is reached, a neutral third-party will determine the actual working capital of Canopy as of the date the Purchased Interests are assigned to DEP. The purchase price in MIPA #2 is subject to adjustments based on the actual working capital as determined by the calculations made pursuant to MIPA #1.

The foregoing description of MIPA #1 does not purport to be complete and is qualified in its entirety by the MIPA #1, which is filed as Exhibit 10.63 to our Annual Report on Form 10-K for the fiscal year ended July 31, 2022 filed with the SEC on January 17, 2023 and is incorporated by reference herein.

Secured Promissory Note

DEP issued the Promissory Note payable to the Sellers in the principal amount of \$2,300,000.00 on November 30, 2021. The Promissory Note was delivered as partial consideration for DEP’s agreement to purchase the Purchased Interests (80% of the issued and outstanding membership interests of Canopy) from the Sellers.

The Promissory Note does not become effective by its terms unless and until the state regulators and local regulators approve DEP as the owner of the Purchased Interests (the date such approval is received being the “**Effective Date**”). In the event the MIPA #1 for DEP to purchase the Purchased Interests is terminated for any reason, the Promissory Note will terminate automatically.

Pursuant to the Promissory Note, interest will accrue on the principal amount from the Effective Date at the rate of ten percent (10%) compounded annually. DEP will be obligated to make monthly interest-only payments for the initial six (6) months following the Effective Date. Following the initial six (6) months, no payments shall be due until the maturity date, which is the date that is five (5) years following the Effective Date.

Following the transfer of the Purchased Interests to DEP, Canopy will sign a joinder to the Promissory Note and further enter into a security agreement granting a security interest to the Sellers in all of Canopy’s assets to secure DEP’s fulfillment of its obligations under the Promissory Note.

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The foregoing description of the Secured Promissory Note does not purport to be complete and is qualified in its entirety by the Secured Promissory Note, which is filed as Exhibit 10.64 to our Annual Report on Form 10-K for the fiscal year ended July 31, 2022 filed with the SEC on January 17, 2023 and is incorporated by reference herein.

[Security Agreement](#)

On November 30, 2021, Canopy entered into a security agreement, as grantor (in such capacity, the “**Grantor**”), granting a security interest in all of Grantor’s personal property, general intangibles, accounts receivable, real property, insurance proceeds, deposits and documents, investment property, instruments and letter of credit rights, proceeds and products, permits, licenses and entitlements. The secured interest granted pursuant to the security agreement is for the purposes of securing the payment obligations of DEP under the Promissory Note.

The foregoing description of the Security Agreement does not purport to be complete and is qualified in its entirety by the Security Agreement, which is filed as Exhibit 10.65 to our Annual Report on Form 10-K for the fiscal year ended July 31, 2022 filed with the SEC on January 17, 2023 and is incorporated by reference herein.

[Escrow Agreement](#)

On November 30, 2021, DEP, Canopy, the Sellers and the Escrow Agent entered into the Holding Escrow Instructions (the “**Escrow Agreement**”) in order to facilitate the sale of the Purchased Interests in Canopy by the Sellers to DEP. Pursuant to the Escrow Agreement, the Cash Purchase Price in the amount of \$2,490,000 is to be deposited by DEP with the Escrow Agent, in escrow. The Escrow Agent shall disburse the funds as directed by the parties pursuant to written instructions. Escrow Agent shall receive specific instructions as to the release of funds, including but not limited to the amount of the funds to be released and detailed recipient information. Upon receipt of such request to release funds, the Escrow Agent shall prepare an amendment and/or authorization to release funds to be signed by the parties. The Escrow Agent shall only release funds when such amendment and/or authorization to release funds is executed by the parties.

The Escrow Agent shall receive, as compensation for services a fee in the amount of \$6,000. Escrow fees shall be deducted out of the initial deposit into escrow and pre-paid by DEP. At closing, the escrow fees shall be split equally between DEP and the Sellers. In the event of cancellation of the escrow, DEP shall pay a \$3,000 escrow fee and all other escrow funds shall be distributed as instructed to the Escrow Agent and under the terms of the Escrow Agreement.

The foregoing description of the Escrow Agreement does not purport to be complete and is qualified in its entirety by the Escrow Agreement, which is filed as Exhibit 10.66 to our Annual Report on Form 10-K for the fiscal year ended July 31, 2022 filed with the SEC on January 17, 2023 and is incorporated by reference herein.

[Membership Interest Purchase Agreement #2](#)

On November 30, 2021, DEP entered into a membership interest purchase agreement (“**MIPA #2**”) to purchase the remaining 20% of the issued and outstanding membership interests (the “**Remaining Purchased Interests**”) of Canopy from the Continuing Owner.

As consideration for DEP’s purchase of the Remaining Purchased Interests, DEP will pay to the Continuing Owner a total purchase price of \$1,000,000.00 (the “**Purchase Price**”) to be paid via either: (i) shares of the Company’s common stock (the “**Consideration Shares**”); or (ii) in cash at DEP’s sole option if such payment takes place within six months following the date of MIPA #1 pursuant to which DEP acquired 80% of the issued and outstanding membership interest of Canopy. In the event DEP elects or is required to pay the Purchase Price via Consideration Shares, the amount of Consideration Shares shall be determined based on the 10-day volume weighted average price (“**VWAP**”) on the Canadian Securities Exchange (the “**CSE**”) as of the date of execution of MIPA #1. In the event that, six months following the execution date of MIPA #1, the value of the Consideration Shares have decreased such that total value of the Consideration Shares is less than 90% of its value, DEP agrees to cause the Company to issue an additional \$100,000.00 worth of shares of the Company’s common stock (the “**Additional Shares**”) to the Continuing Owner based on the VWAP calculated as of six (6) months following the closing of MIPA #1.

The Purchase Price is to be adjusted based on the actual working capital of Canopy as of the closing of MIPA #1.

Within seven business days from the date that DEP receives notification from the city and state regulators that it is approved as the sole owner of Canopy and all adjustment calculations for determining the working capital are completed, DEP shall be obligated to pay to Continuing Owner the Purchase Price subject to applicable adjustments.

The foregoing description of the MIPA #2 does not purport to be complete and is qualified in its entirety by the MIPA #2, which is filed as Exhibit 10.68 to our Annual Report on Form 10-K for the fiscal year ended July 31, 2022 filed with the SEC on January 17, 2023 and is incorporated by reference herein.

Amendment to MIPA #1 and MIPA #2

On June 17, 2022, the Company, through its wholly owned subsidiary, DEP, entered into the first amendment to MIPA #1 and MIPA #2 (the “**First Amendment**”) whereby the cash purchase price under MIPA #1 was reduced from 2,500,000 to \$1,250,000 and the Company agreed to issue the following shares of common stock of the Company, subject to compliance with the policies of the CSE:

- (a) The Company agreed to issue to the Sellers shares with an aggregate value of \$1,250,000 based on the VWAP for the 10 consecutive trading days prior to the effective date of the First Amendment being June 17, 2022 (the “**Effective Date**”) (9,328,358 shares);
- (b) The Company agreed to issue additional shares to the Continuing Owner equal to the difference between the amount of the shares of common stock of the Company that were issued by the Company to the Continuing Owner on December 3, 2021 (the “**MIPA #2 Shares**”) and the amount of shares that the Continuing Owner would have received had the VWAP for the MIPA #2 Shares been calculated as of the Effective Date (the “**Additional PA #2 Shares**”) (4,734,530 shares);
- (c) On the date that is 18 months (548 days) following the Effective Date of the First Amendment (the “**Additional Share Issuance Date**”) the Company will issue \$100,000 worth of shares to the Sellers based on the 10-day VWAP calculated as of the Additional Share Issuance Date; and
- (d) The Company agreed to issue to the Continuing Owner \$300,000.00 worth of shares (the “**Additional True-up Shares**”) within three days following the Effective Date of the First Amendment, which shall be priced at the 10-day VWAP calculated as of the Effective Date of the First Amendment (2,238,806 shares).

Prior to the conclusion of the calculation of the actual working capital in accordance with MIPA #1 and MIPA #2, the Sellers must 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 will 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 MIPA #1 and MIPA #2, the parties have further agreed 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 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 the Sellers and the parties agree that any additional amounts owed to the Sellers shall be paid by DEP to the Sellers via additional shares of common stock of the Company.

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In addition to the terms of the First Amendment, the parties have agreed that the release of any Additional True-up Shares 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.

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 \$0.134 per share. 2,238,806 of the 16,301,694 shares are being held in escrow pending the results of the working capital adjustment in accordance with MIPA #1 and MIPA #2.

The foregoing description of the First Amendment does not purport to be complete and is qualified in its entirety by the First Amendment, which is filed as Exhibit 10.72 to our Annual Report on Form 10-K for the fiscal year ended July 31, 2022 filed with the SEC on January 17, 2023 and is incorporated by reference herein.

Landlord Consent to Change of Control of Tenant

Canopy's retail dispensary in Seaside, California, is located in leased premises which is subject to a lease agreement dated July 1, 2028, as amended on July 19, 2021 (the "**Lease**"), between Ann Marie Bevins and Carol Gay Lavin, the Successor Co-Trustees of the Peter Ralph Lavin Trust U/A DTD August 7, 2006, as amended (the "**Landlord**"), and Canopy, as tenant (in such capacity, the "**Tenant**"). Under the Lease, the Tenant is required to obtain the Landlord's consent for a change of control transaction. DEP's purchase of the Purchased Interests qualifies as a change of control transaction for such purposes.

On November 30, 2021, the Landlord, the Tenant and the Company entered into a Landlord Consent to Change of Control of Tenant (the "**Landlord Consent**"), whereby the Landlord has consented to the purchase by DEP of the Purchased Interests in two transactions contemplated by MIPA #1 and MIPA #2, subject to certain conditions as outlined below.

The Landlord Consent is subject to the following conditions: (1) Tenant must pay the Landlord a transfer fee equal to \$290,000.00; (2) Tenant must pay the Landlord \$229.60 in liquidated damages; (3) Tenant must reimburse Landlord for legal fees associated with the change of control transaction, subject to a cap of \$6,500.00; and (4) a renewal of the current guaranty of the lease is delivered to the Landlord. The Consent became effective following the assignment of the Purchased Interests to DEP.

The foregoing description of the Landlord Consent does not purport to be complete and is qualified in its entirety by the Landlord Consent, which is filed as Exhibit 10.67 to our Annual Report on Form 10-K for the fiscal year ended July 31, 2022 filed with the SEC on January 17, 2023 and is incorporated by reference herein.

The Lease

The Lease provides for a five-year term that includes three five-year extension periods (each, an "**Option Term**") (collectively, the "**Lease Term**"). The monthly rent under the Lease for the first four months is \$0.00 per month; for months five through 12, the monthly rent is \$6,190.00 per month; and for months 13 through 24, the monthly rent is \$7,200.00 per month.

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The monthly rent is subject to an annual increase of three percent per year, but in no event less than the amount of the increase in the Consumer Price Index, as of the first day of July every year during the term of the lease (the “**Adjustment Date**”), in each fiscal year (July 1 through June 30) of the Lease Term, which Lease Term shall include the Option Term and any extensions of Lease that may hereinafter be granted, beginning in the year as follows: July 1, 2020 and on the first of July in each fiscal year (July 1 through June 30) of any extensions of Lease Term thereafter, the monthly rental shall be increased at least three percent, but in no case less than the amount calculated by multiplying the amount of the then monthly rental, and as thereafter adjusted from time to time in accordance with the provisions of Article 5.2 of the Lease, by a fraction of which the denominator is the cost of living for the calendar month February, 17 months previous to the Adjustment Date, as reflected in the Consumer Price Index, or, at Landlord’s option, the same Index for the United States as a whole (as determined by the United States Department of Labor, Bureau of Labor Statistics, or any successor Index), and the numerator is the cost of living as reflected in the same Index for the calendar month of February, five months previous to each such Adjustment Date. The annual rent in any fiscal year (July 1 through June 30) will not be less than 103% of the annual rent for the then immediately preceding fiscal year.

The monthly rent for the first year of each Option Term shall be the fair market value monthly rent for the premises as determined by the Landlord as of the effective date of the Tenant’s exercise of an Option Term. In the event there is a dispute between the Landlord and the Tenant regarding the monthly rent for the first year of an Option Term as of the date of Tenant’s exercise of an Option Term, and the Landlord and Tenant cannot mutually agree on a monthly rent for an Option Term 90 days before the expiration of the Lease, third-party appraisers will set the Option Term monthly rent.

In addition to monthly rent, the Tenant is required to pay certain maintenance fees based on Tenant’s gross sales for each year during the term of the Lease. These fees are modified and replaced in the Second Amendment.

The Second Amendment to Lease

On November 30, 2021, the Landlord and the Tenant entered into a Second Amendment to Lease Agreement (the “**Second Amendment**”). The Second Amendment modifies the monthly rent fees payable under the Lease, such that the monthly rent fee for December 1, 2021 through June 30, 2022 will be \$9,000.00 per month. On July 1, 2022, the monthly rent will be subject to the normal annual increases set forth in the Lease.

The maintenance fees in the Lease are superseded and replaced with the a new monthly maintenance fee equal to One and One Half Percent (1.5%) of the Tenant’s gross sales, which shall be computed each calendar month and, on or before the fifteenth (15th) day of the calendar month immediately following the close of such period, the Tenant shall pay to the Landlord the maintenance fee for the immediately preceding calendar month.

The Second Amendment includes a waiver and release of all claims against the Landlord up to and including the date of the Second Amendment.

Agreement and Plan of Merger – New Jersey

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”) and those certain shareholders of the Surviving Entity (the “Sellers”) entered into an Agreement and Plan of Merger (the “Merger Agreement”) whereby 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.

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

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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 (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.

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 2.3 to our Annual Report on Form 10-K for the fiscal year ended July 31, 2022 filed with the SEC on January 17, 2023 and is incorporated by reference herein.

Nevada Production Facility

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

Material Contracts

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

Loan Agreement

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

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

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

The following table sets forth additional terms of the Loan Agreement and the other loan documents entered into on July 19, 2021:

Loan Term	Four years
Face Amount	US\$11,111,111 (the “Face Amount”) funded in two (2) draws: (i) Initial Term Loan of US\$6,666,667 issued on closing; and (ii) Delayed Draw Term Loan of US\$4,444,444 issued upon 30 day request of the Company, which request must be made to the Agent by December 1, 2021.
Interest Rate	amended to 15% per annum, which 2% interest may be paid in kind, with the interest being payable on the first of each month.
Default Interest Rate	20% per annum (inclusive of the 13% rate noted above)
Origination Discount	10% of the Face Amount treated as consideration for the use or forbearance of money
Agent Fee	The Borrower paid the Agent a US\$66,666.67 fee upon execution of the Loan Agreement, which was withheld from the initial advance of the Initial Term Loan made by the Lender. A further Agent Fee of \$44,444.44 will be withheld from the advance of the Delayed Draw Term Loan made by the Lender, if drawn upon by the Company.
Lender Expenses	The Borrower is required to pay the Lender’s reasonable costs, fees and expenses, including attorney’s fees, in connection with entering into the Loan Agreement and the other loan documents, subject to a cap of US\$125,000.
Voluntary Prepayment	The Borrower may not prepay within one year of the closing date (“ No Call Period ”). Provided that no event of default has occurred following the No Call Period, Borrower may prepay the principle balance, in a minimum amount of US\$1,000,000, at the following rates: (1) Following the No Call Period through two-year anniversary of the Closing Date: 107%; (2) Following the two-year anniversary of the Closing Date through the three-year anniversary of the Closing Date: 103%; and (3) following the three year anniversary of the Closing Date and prior to the Maturity Date: 100%.
Mandatory Prepayment	Under certain circumstances, if the Borrower or any Guarantor incurs insurance claims or condemnation proceedings, then Borrower or the Guarantor must either reinvest such proceeds in assets useful to the Borrower’s or Guarantor’s business, as applicable, or use the resulting net cash proceeds to prepay the loan. There are mandatory prepayment provisions for some change of control scenarios.
Financial Covenants	The Borrower and its subsidiaries taken as a whole are required to have at least \$1,500,00 in liquidity at all times reported monthly. The Borrower and Guarantors on a consolidated basis must maintain a leverage ratio of at least 3:1 for acquisitions.
Other Covenants	The Borrower and its subsidiaries are subject to additional covenants customary for this type of transaction, including without limitation, covenants related to notices of certain events and reporting, and covenants restricting the Borrower’s and its subsidiaries’ business activities, other debt, fundamental transactions, acquisitions and dispositions, investments, dividend payments and affiliate transactions, in each case subject to mutually agreed upon qualifications and exceptions.
Events of Default	The Loan Agreement contains events of defaults customary for this type of transaction, some of which are subject to mutually agreed upon cure periods and notice requirements.
Remedies	The Loan Agreement and the other loan documents contain remedies customary for this type of transaction, including, without limitation, giving the Lender the ability to declare the loan and all amounts owed under the Loan Agreement due and payable upon the occurrence of an event of default and to operate or sell collateral and use the proceeds to repay the loan.
Other Provisions	The Loan Agreement and the other loan documents contain other provisions customary for this type of transaction, including, without limitation, representations and warranties, indemnities and confidentiality undertaking.
Exit Fee	Amendment No. 2 to Loan Agreement (see below) provides for an exit fee equal to 1.5% of the principal balance, which is due and payable upon any payment, in part or in full, of the initial term loan and the delayed draw term loan.

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On June 14, 2022, we, along with its subsidiaries, DEP Nevada Inc., Nevada Medical Group, LLC, NMG OH 1, LLC, NMG OH P1, LLC, NMG Long Beach, LLC, NMG Cathedral City, LLC, NMG CA 1, LLC, NMG CA C1, LLC, NMG MI 1, Inc., NMG MI P1, Inc., and NMG MI C1, Inc., as guarantors, entered into an amendment no. 2 to loan agreement (the “**Amendment No. 2 to Loan Agreement**”) with the Agent and the Lender, with respect to the Loan Agreement that was originally entered into by such parties on July 19, 2021, as amended on November 30, 2021.

Pursuant to the Amendment No. 2 to Loan Agreement, the maturity date was extended by one year from July 19, 2025 to July 19, 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\$4,444,444 (the “**Delayed Draw Term Loan**”) to be extended from June 1, 2022 to March 31, 2023, whereby US\$4,000,000 will be advanced to the Company if it draws on such Delayed Draw Term Loan, which ability of the Company to draw on the Delayed Draw Term Loan is subject to compliance with certain provisions in the Loan Agreement including provision of a satisfactory budget approved at the sole discretion of the Lender. The Amendment No. 2 to Loan Agreement increases the interest rate on the advanced funds from 13% to 15% per annum, which additional 2% interest may be paid in kind, with the interest being payable on the first day of each month. Amendment No. 2 to Loan Agreement provides for an exit fee equal to 1.5% of the principal balance, which is due and payable upon any payment in part or in full, of the initial term loan and the Delayed Draw Term Loan. Furthermore, Amendment No. 2 to Loan Agreement provides that the Company shall pay the Agent a fee of US\$10,000 per month for six months from June 14, 2022 and also provides that capital expenditures with respect to a certain project, purchase or acquisition shall not be more than \$100,000 in the aggregate unless consented to in writing by the Agent.

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.

Security Agreement

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

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

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

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

Pledge Agreement

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

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

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

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

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

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

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

Omnibus Collateral Assignment

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

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

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

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

Intercompany Subordinated Demand Promissory Note

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

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

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

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

Limited Waiver and Amendment to Loan Agreement

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 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 fail to deliver each of the Amended Deliverables (as defined below) on or before expiration of their respective Waiver Period, the waiver would no longer be of any effect, and the Lender would 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 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; 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.

The foregoing description of the Limited Waiver and Amendment to Loan Agreement does not purport to be complete and is qualified in its entirety by the Limited Waiver and Amendment to Loan Agreement, which is filed as Exhibit 10.73 to our Annual Report on Form 10-K for the fiscal year ended July 31, 2022 filed with the SEC on January 17, 2023 and is incorporated by reference herein.

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**”), which bear interest at a rate of 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.

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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 October 31, 2022 and 2021:

The following table sets forth our results of operations for the three month periods ended October 31, 2022 and 2021:

	October 31, 2022	October 31, 2021
	\$	\$
Sales	7,831,695	7,570,816
Cost of Sales	(6,192,489)	(4,416,703)
Gross Margin	1,639,206	3,154,113
Operating Expenses	(3,617,271)	(2,838,804)
Loss for the Period	(2,952,795)	(677,254)
Foreign Currency Translation Adjustment	(70,060)	36,281
Comprehensive Loss	(3,022,855)	(640,973)
Basic and Diluted Earnings (Loss) Per Share	(0.03)	(0.01)

Revenues

For the three month period ended October 31, 2022 we had total sales of \$7,831,695 and cost of sales of \$6,192,489 for a gross margin of \$1,639,206 compared to total sales of \$7,570,816 and cost of sales of \$4,416,703 for a gross margin of \$3,154,113 in the three month period ended October 31, 2021. Gross margin decreased due to decreasing wholesale prices, increasing costs and lower inventory balance on hand at October 31, 2022.

During the three months ended October 31, 2022, the Company recorded product sales as follows:

	Three months ended October 31, 2022	
Revenues – By Segment	\$	%
Wholesale	1,305,981	17%
Retail	6,525,714	83%
Total	7,831,695	

Operating Expenses

For the three month period ended October 31, 2022, operating expenses totaled \$3,617,271 compared with \$2,838,804 for the three month period ended October 31, 2021. A significant reason for the increase in operating expenses between the periods related to an increase in lease expense from \$102,033 and \$255,871 as the Company continues to expand and an increase in licenses, utilities and office administration from \$845,747 to \$1,280,405. The Company’s office administration increased considerably as a result of various ongoing acquisitions and expansions.

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The Company also had an increase in depreciation and amortization expense of \$362,115 compared to \$331,544 due to a larger balance of property and equipment and intangible assets that need to be depreciated/amortized. A large portion of the depreciation and amortization expense are also included in Cost of Sales resulting in an increase in Cost of Sales for the current period.

Other Items

During the three month period ended October 31, 2022, our other items accounted for \$348,656 of losses as compared to \$290,391 for the three month period ended October 31, 2021. The significant components in other items primarily relates to the Company's interest income on the secured convertible note and interest expense on the long-term loan payable.

Net Loss

Net loss for the quarter ended October 31, 2022, totaled \$2,952,795 compared with a net loss of \$677,254 for the quarter ended October 31, 2021. The increase in net loss is largely due to the increase in cost of sales, and increase in general and administrative expenses as discussed above.

Other Comprehensive Income (Loss)

We recorded a foreign currency translation adjustment loss of \$70,060 and gain of \$36,281 for the quarter ended October 31, 2022 and 2021, respectively. 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 October 31, 2022:

	As of October 31, 2022
	(unaudited)
Cash reserves	\$ 1,302,124
Working capital deficiency	\$ 937,922

At October 31, 2022, we had cash of \$1,302,124 as compared to cash of \$1,854,277 at July 31, 2022. The Company has minimal committed capital expenditures.

Statement of Cash flows

During the three month period ended October 31, 2022, our net cash decreased by \$552,153 (2021 – increase by \$58,892), which included net cash used in operating activities of \$589,074 (2021 – provided \$256,511), net cash provided by investing activities of \$106,989 (2021 – used \$232,076), net cash used in financing activities of \$8 (2021 – used \$1,824) and effect of exchange rate changes on cash and cash equivalents having a loss of \$70,060 (2021 – gain of \$36,281).

Cash Flow provided by (used in) Operating Activities

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

- The Company incurred a net loss from operations of \$2,952,795 during the three months ended October 31, 2022 compared to \$677,254 in 2021. The net loss in 2022 included, among other things, amortization of debt discount of \$114,221 (2021 - \$117,744), amortization of intangible assets of \$327,950 (2021 - \$302,255), amortization of operating lease ROU assets of \$320,719 (2021 - \$77,037), depreciation of property and equipment of \$268,853 (2021 - \$202,394), accrued interest income of \$18,000 (2021 - \$18,000), and stock-based compensation of \$32,458 (2021 - \$145,175).

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The following non-cash items further adjusted the loss for the three months ended October 31, 2022 and 2021:

- Decrease in amounts receivable and prepaid of \$28,724 (2021 – \$6,294), decrease in inventory of \$624,588 (2021 – increase of \$416,118), increase in trade payables and accrued liabilities of \$382,274 (2021 – decrease of \$118,882), increase in income taxes payable and deferred taxes of \$621,454 (2021 - \$700,352), decrease in due to related parties of \$59,036 (2021 – increase of \$2,092), and decrease of operating lease liabilities of \$290,474 (2021 - \$66,578).

Cash Flow used in Investing Activities

The change in cash from investing activities from the three month period ended October 31, 2022 relates primarily to the purchased equipment of \$8,320 (2021 - \$15,650), loan repaid by CCG in Arkansas of \$115,309 (2021 - provided \$162,011).

Cash Flow provided by Financing Activities

During the three month period ended October 31, 2022, financing activities used cash of \$8 compared to \$1,824 during the three month period ended October 31, 2021, all related to a repayment of loan.

Trends and Uncertainties

Potential Impact of the COVID-19 Pandemic

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

Off-balance sheet arrangements

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

Critical Accounting Policies

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

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

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

- Income taxes

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

- Foreign currency

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

- Fair value of financial instruments

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

In applying the valuation techniques, management makes maximum use of market inputs wherever possible, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. Such estimates include liquidity risk, credit risk and volatility may vary from the actual results that would be achieved in an arm's length transaction at the reporting date.

The assessment of the timing and extent of impairment of intangible assets involves both significant judgements by management about the current and future prospects for the intangible assets as well as estimates about the factors used to quantify the extent of any impairment that is recognized.

- 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 Company does not anticipate this amendment to 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.

- 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 deficiency of \$937,922 as at October 31, 2022. The Company outlined substantial doubt about its ability to continue as a going concern in prior periods which has been alleviated by securing long term debt, cash flow positive operations and increased sales. The Company anticipates that current cashflow positive operations, cash on hand and working capital will ensure coverage for all expenses associated with current operations for at least the next 15 months from the issuance of these financial statements. Management believes that the Company has access to capital resources through potential public or private issuances of debt or equity securities to further contribute to the growth of the company.

- Interest rate risk

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

- Currency risk

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

- Other risks

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

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4 – CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Based on their evaluation as of October 31, 2022, our principal executive and principal financial and accounting officers have concluded that these disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were not effective as of October 31, 2022 to provide reasonable assurance that information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in Securities and Exchange Commission rules and forms and that information required to be disclosed by us in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

In our assessment of the effectiveness of our internal control over financial reporting as at October 31, 2022, based on criteria for effective internal control over financial reporting described in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, material weaknesses were identified regarding experienced personnel with knowledge of GAAP and the proper levels of supervision and review required to provide timely financial information. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements could not be prevented or detected on a timely basis.

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

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

Change in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting that occurred during the quarter ended October 31, 2022, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

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

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

Not applicable

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable

ITEM 5 – OTHER INFORMATION

None

ITEM 6 – EXHIBITS

The following exhibits are included with this Quarterly Report:

Exhibit	Description of Exhibit
31.1	Certification of Chief Executive Officer pursuant to the Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).
31.2	Certification of Chief Financial Officer pursuant to the Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).
32.1	Certifications pursuant to the Securities Exchange Act of 1934 Rule 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definitions Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded within the inline XBRL document)

SIGNATURES

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

BODY AND MIND INC.

Date: January 24, 2023

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

Date: January 24, 2023

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

CERTIFICATION

I, Michael Mills, certify that:

1. I have reviewed this Form 10-Q of Body and Mind Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 24, 2023

/s/ Michael Mills

Michael Mills, President and CEO
(Principal Executive Officer)

CERTIFICATION

I, Dong H. Shim, certify that:

1. I have reviewed this Form 10-Q of Body and Mind Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 24, 2023

/s/ Dong Shim

Dong H. Shim, CFO

(Principal Financial Officer and Principal Accounting Officer)

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

In connection with the Quarterly Report on Form 10-Q (the "Report") of Body and Mind Inc. (the "Company") for the quarter ended October 31, 2022, each of Michael Mills, the Chief Executive Officer, and Dong H. Shim, the Chief Financial Officer, of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of the undersigned's knowledge and belief: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 24, 2023

/s/ Michael Mills

Michael Mills, Principal Executive Officer
(Principal Executive Officer)

/s/ Dong Shim

Dong H. Shim, Principal Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

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

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