

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

FORM 10-K

(Mark One)

Annual Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended: **July 31, 2022**

Transition report under 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
incorporation or organization)

98-1319227

(IRS Employer
Identification Number)

750 – 1095 West Pender Street
Vancouver, British Columbia, Canada V6E 2M6
(Address of principal executive offices)

Issuer's telephone number **(800) 361-6312**

Securities registered under Section 12(b) of the Exchange Act:

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

Securities registered under Section 12(g) of the Exchange Act:

Common Shares, \$0.0001 par value
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by checkmark 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 the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

<input type="checkbox"/>	Large accelerated filer	<input type="checkbox"/>	Accelerated filer
<input checked="" type="checkbox"/>	Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company
		<input checked="" type="checkbox"/>	Emerging growth company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter (\$0.24 on January 31, 2022) was approximately \$27,117,361.

The registrant had 146,636,974 common shares outstanding as of January 13, 2023.

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REFERENCES

As used in this Annual Report on Form 10-K (the “**Annual Report**”): (i) the terms the “Registrant”, “we”, “us”, “our”, “Body and Mind”, “BaM” and the “Company” mean Body and Mind Inc. or as the context requires, collectively with its consolidated subsidiaries; (ii) “SEC” refers to the Securities and Exchange Commission; (iii) “Securities Act” refers to the United States Securities Act of 1933, as amended; (iv) “Exchange Act” refers to the United States Securities Exchange Act of 1934, as amended; and (v) all dollar amounts refer to United States dollars unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report on Form 10-K constitute “forward-looking statements.” These statements appear in a number of places in this Annual Report and documents included herein and include statements regarding Body and Mind’s intent, belief or current expectation and that of Body and Mind’s officers and directors. These forward-looking statements involve known and unknown risks and uncertainties that may cause Body and Mind’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. In certain cases, forward-looking statements can be identified by the use of words such as “believe”, “intend”, “may”, “will”, “should”, “plans”, “anticipates”, “believes”, “potential”, “intends”, “expects” and other similar expressions. These statements are based on Body and Mind’s current plans and are subject to risks and uncertainties, and as such Body and Mind’s actual future activities and results of operations may be materially different from those set forth in the forward-looking statements. Any or all of the forward-looking statements in this Annual Report may turn out to be inaccurate and as such, you should not place undue reliance on these forward-looking statements. Body and Mind has based these forward-looking statements largely on its current expectations and projections about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs. The forward-looking statements can be affected by assumptions that prove to be inaccurate, or by known or unknown risks and uncertainties due to a number of factors, including dependence on key personnel, competitive factors, the operation of Body and Mind’s intended business, and general economic conditions in the United States and Canada. These forward-looking statements speak only as of the date on which they are made. Body and Mind assumes no obligation to update or to publicly announce the results of any change to any of the forward-looking statements contained herein to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements, other than where a duty to update such information or provide further disclosure is imposed by applicable law, including applicable United States federal securities laws. In addition, Body and Mind cannot assess the impact of each factor on its intended business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking statements. All subsequent written and oral forward-looking statements attributable to Body and Mind or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements contained in this Annual Report. Important factors that you should also consider, include, but are not limited to, the factors discussed under “Risk Factors” in this Annual Report.

PART I

ITEM 1. BUSINESS

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 received all approvals for final transfer of the licenses required to operate the medical and adult-use cannabis retail dispensary in Long Beach which was acquired by NMG LB at the end of August 2020, and the acquisition of the dispensary is expected to close in the near future. NMG LB has been managing the Long Beach dispensary operations under the ShowGrow banner since early August 2019.

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 are 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.

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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 ⁽¹⁰⁾	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 was 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**”).

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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.

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

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

Amended and Restated Convertible Note and General Security Agreement

As contemplated by the Original GLDH Settlement Agreement, we entered into a loan agreement with GLDH dated June 19, 2019 (the “**2019 GLDH Loan Agreement**”), pursuant to which the Prior GLDH Note has been superseded and replaced with an amended and restated senior secured convertible note payable to us by GLDH in the principal amount of \$5,200,000 (the “**Amended and Restated GLDH Note**”). The Amended and Restated GLDH Note bears interest at the rate of 20% per annum, compounded annually, and 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 release from escrow of up to 2,681,006 Common shares at a deemed price of CAD\$0.7439 per share (issued in escrow on August 12, 2019); the number of shares required to pay and satisfy the balance of the purchase price for the Purchased Assets in the amount of \$1,500,000 was determined with reference to the Agreed Foreign Exchange Rate of CAD\$1.3296:USD\$1.00. NMG LB received all approvals and license transfers 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. 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.

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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 hereto 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.

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 hereto 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 hereto and is incorporated by reference herein.

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[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 hereto 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 hereto 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.

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.

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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 hereto 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 hereto 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.

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

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

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

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

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

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

The foregoing description of the Merger Agreement does not purport to be complete and is qualified in its entirety by the Merger Agreement, which is filed as Exhibit 2.3 hereto 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.

Our Products and Services

We cultivate and produce medical and adult-use recreational marijuana products such as cannabis flower, oil extracts and edibles under the brand name “Body and Mind”. We also produce products under license agreements.

We have built our business plan around capitalizing on the medical-use and recreational cannabis markets. The regulated medical and recreational use cannabis industry is a rapidly growing industry that presents a unique opportunity under current market conditions. In the United States, the development and growth of the industry has generally been driven by state law and regulation. Accordingly, the market varies on a state-by-state basis. State laws that legalize and regulate medical-use cannabis allow patients to consume cannabis for medicinal reasons with a doctor’s recommendation subject to various requirements and limitations. States have authorized numerous medical conditions as qualifying conditions for treatment with medical-use cannabis, including but not limited to treatment for cancer, glaucoma, HIV/AIDS, wasting syndrome, pain, nausea, seizures, muscle spasms, multiple sclerosis, post-traumatic stress disorder (PTSD), migraines, arthritis, Parkinson’s disease, Alzheimer’s disease, lupus, residual limb pain, spinal cord injuries, inflammatory bowel disease and terminal illness.

We believe that the following conditions create an attractive opportunity for the cultivation and production of products within the medical and recreational use cannabis industry:

- Significant industry growth in recent years and expected continued growth;
- A shift in public opinion and increasing momentum toward the legalization of cannabis;
- Limited access to capital by industry participants in light of risk perceived by financial institutions of violating federal laws and regulatory guidelines for offering banking services to cannabis-related businesses;
- NMG currently has three main product lines: (i) flower, (ii) edibles, and (iii) extracts; and
- NMG currently cultivates recreational marijuana.

Notwithstanding the foregoing market opportunity and trends, and despite legalization at the state level, we continue to believe that the current state of federal law creates significant uncertainty and potential risks associated with investing in medical-use and recreational-use cannabis facilities.

We have a Nevada cannabis distribution license to distribute our products and our primary market is in the State of Nevada.

In addition to Body and Mind branded products, NMG manufactures products for national brands including Her Highness and GPen.

Our Strategy

Body and Mind’s strategy is focused on a platform approach to expansion which focuses on limited license states and jurisdictions. We work to maximize shareholder value through:

- 1) Production and distribution of Body and Mind branded products (production and/or cultivation);
- 2) Use excess production capacity to produce and distribute synergistic third party brands;
- 3) Own or operate strategic retail stores; and
- 4) Enter new markets through lower cost applications and opportunistic / targeted acquisitions.

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We have a track record of award-winning cannabis strains, flower and extracts and as early entrants to the Nevada market management has experience with writing license applications, cultivating and operating efficiently and working within a strict metric or track and trace environment.

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

We have a long track record of producing award-winning cannabis products and we have success with licensing to manufacture for brands. We currently produce cannabis oil cartridges for Gpen, a well-known vaporizer manufacturer. We currently produce cannabis products for Her Highness, a female focused cannabis brand. We have constructed and are operating in a new larger production facility and are in discussions with several cannabis brands who may be interested in having Body and Mind produce their brand and products under license in Nevada.

NMG was organized as a limited liability company under the laws of the State of Nevada on March 3, 2014. NMG was an early applicant in Nevada in 2014 and was awarded one of the first state medical licenses for both cultivation and production of marijuana. NMG has been a licensed producer and cultivator of cannabis products since it was issued its first cultivation license on November 5, 2015 and production license on December 10, 2015. On July 1, 2017, NMG was awarded an additional state recreational cultivation and production license. NMG produces cannabis flower, oil extracts and edibles, which are available for sale under the brand name “Body & Mind” in dispensaries in Nevada.

NMG has several growth initiatives underway including new product introductions, product licensing, third party extraction, out-of-State licensing, and acquisitions.

Since our acquisition of NMG, as discussed in more detail above, we have been focused on:

- (1) improving NMG’s existing facility;
- (2) increasing product availability; and
- (3) lowering production costs.

Increased Product Availability

We focused on flower and developing top end strains during the early years of our business. When Nevada was a medical only market we performed significant research on edibles with products including granola bars, beef jerky, hard candies and gummies. We also performed significant research on extraction with products ranging from shatter, rosin, distillate and raw oil.

As adult recreation rules changed the products that could be produced, we have focused on increasing our product offerings and licensing opportunities. We have determined that the edible market is a sector of the marijuana industry with a high profit margin.

In addition, we have implemented improved recipes of our established edible products which has increased our product’s shelf life and improved taste.

We continually work on research for new edible products and developing recipes.

Lowering Our Production Costs

As cannabis flower continues to be the foundation product for the marijuana industry, we are striving for continuous improvement to our cultivation process. Our aim will always focus on increasing the production yields of each harvest, and to obtain the highest quality product harvest. Doing so achieves two things for us and our customers: (1) allows us to maximize our profit; and (2) gives our customers the best value for their dollar by offering high quality THC products.

Effect of Existing or Probable Governmental Regulations on the Business

The United States Food and Drug Administration (the “**FDA**”) regulates all food and food ingredients introduced into or offered for sale in interstate commerce (with the exception of meat, poultry, and certain processed egg products). At this time, our edible food products are not introduced into or offered for sale in interstate commerce, and FDA approval of our edible products is not required. However, we must, and do, comply with food labeling requirements set forth by the Southern Nevada Health District (the “**SNHD**”) and the Nevada Department of Taxation, which include: a statement of identity, net quantity of contents, ingredient statement, manufacturer information, nutritional labeling, “use-by” date, safe handling instructions, an allergen statement, “Keep out of reach of children” statement, “THIS IS A CANNABIS PRODUCT” statement, cannabinoid profile, terpenoid profile, total amount of THC, our production license number, production run number, date of production, date of final testing, date on which the product was packaged, etc.

Our operations as a licensed cultivator and producer of marijuana and marijuana products could be found in violation of the federal Controlled Substances Act. Due to this, we may face higher federal income tax liability as it is subject to Section 280E of the Internal Revenue Code. Section 280E of the Internal Revenue Code disallows a cannabis company from deducting any expenses from their income on its federal income tax return, except for those considered to be cost of goods sold (COGS). While this severely impacts marijuana retailers, as opposed to cultivators and producers, we do face higher federal income tax liability than a non-cannabis company.

The State of Nevada, per Nevada Revised Statutes Section 372A.290, has implemented the following taxes on marijuana and marijuana products: (i) a fifteen percent (15%) excise tax on the wholesale sale which is paid by the cultivator and is calculated on the fair market value at wholesale set by the Department of Taxation, and (ii) a ten percent (10%) excise tax on the retail sale which is paid by the retail store. We are obligated to collect and remit the wholesale cultivation tax on all wholesale sales and file the appropriate tax returns on a monthly basis. We currently do not have retail operations in Nevada, and therefore are not required to collect and/or remit any retail taxes. All marijuana and marijuana products sold at retail must also pay and remit sales taxes at the applicable local sales tax level.

Principal Products and Services

We cultivate and produce medical and adult-use recreational marijuana products such as cannabis flower, oil, extracts and edibles under the brand name “Body and Mind”.

Principal Products

Finished Flower Buds – Packaged flower buds sold by strain type. We sell our Flower in various packaged weights (1.0 Gram, 3.5 Gram, and by the pound being the most popular). Flower strains include GC4, Key Lime Pie, Mandarin Cookies, Donuts, Purple Punch, Sequoia Strawberry, Sin Mint Cookies, True Power and White Nightmare.

Pre-Rolled Joints – grinded flower buds rolled in joint paper by strain type. Each pre-roll is one gram. Roughly 3 to 6 strains are available at any time and can include strains such as GC4, Key Lime Pie, Mandarin Cookies, Donuts, Purple Punch, Sequoia Strawberry, Sin Mint Cookies, True Power and White Nightmare.

Pre-Rolled Blunts – grinded flower buds rolled in blunt joint paper by strain type. Each pre-roll blunt is one gram. Roughly 3 to 6 strains are available at any time and can include strains such as GC4, Key Lime Pie, Mandarin Cookies, Donuts, Purple Punch, Sequoia Strawberry, Sin Mint Cookies, True Power and White Nightmare.

Concentrates (in various forms) – these are concentrates with various consistencies regarding their final form:

- Shatter – a glass like concentrate

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- Sugar – a sugar/salt like concentrate
- Ambrosia – a sugar/ salt like concentrate with terpenes added
- Badder – a concentrate with a malleable texture
- Live Resin Sugar – made from extracting material that was frozen immediately after harvesting

Raw Distillate Oil Cartridges – vaporizer cartridge filled with our in-house produced distillate oil. Raw Distillate flavors include Blackberry, Bruce Banner, Canteloupe, Do Si Do, Forbidden Fruit, Gelato, Guava, Hardcore OG, Lime, Mandarin Cookies, Mimosa, Pineapple, Strawberry Diesel, Tangerine, Watermelon. Raw distillate oil cartridges are available with either 0.5 gram or 0.25 grams of distillate

G Pen Gio Cartridges – vaporizer cartridges for Gpen vaporizers filled with our in-house produced distillate oil. G Pen Gio cartridge flavors include Blackberry, Bruce Banner, Canteloupe, Do Si Do, Forbidden Fruit, Gelato, Guava, Hardcore OG, Lime, Mandarin Cookies, Mimosa, Pineapple, Strawberry Diesel, Tangerine, Watermelon. G Pen Gio cartridges are available with either 0.5 gram or 0.25 grams of distillate.

Edibles – distillate infused edible products. Our top selling edible product is our pretzel bites which are available in 10 piece and 3 piece packages and have distillate infused butter caramel sandwiched between two pretzels which are dipped in chocolate. Limited edition runs of pretzel bites have been created for Independence Day as well as a custom run with neon and coconut for a Las Vegas music festival.

Distribution Methods

In Nevada, we sell directly to licensed Nevada dispensaries.

In Ohio, we sell manufactured products directly to licensed Ohio dispensaries..

In Arkansas, we, through NMG, manage the “Body and Mind” branded medical marijuana dispensary in West Memphis, Arkansas, which opened on April 27, 2020. Medical marijuana dispensaries in Arkansas allow limited cultivation and Body and Mind commenced operation of the cultivation facility in April 2021. The cultivation provides the Body and Mind branded dispensary with cannabis and also sells wholesale cannabis to licensed Arkansas dispensaries.

Sources and availability of raw materials

Finished Flower – In Nevada and Arkansas, our clones are all produced in-house from older batches of plants. Other clone sources are readily available to purchase throughout Nevada. Our coco growing medium (soil like material) is the only component of raw materials that is produced outside of our control. Coco suppliers are readily available in the event of a loss of our supplier. We produce our nutrients in-house using basic nutrients readily available in the cultivation market. Our packaging is produced locally and overseas, and suppliers are readily available.

Pre-Rolled Joints – In Nevada, our flower buds produce the material for our pre-rolls. All of our pre-roll packaging is easily obtained. There are numerous suppliers of joint paper, joint vials, and other joint packaging materials. Our packaging is produced overseas, and suppliers are readily available.

Concentrates – our flower is used to produce our concentrates in Nevada. On Ohio we purchase trim and flower from licenses cultivators. All the chemicals, supplies, and equipment required to produce concentrates can be easily obtained.

Vape Cartridges – our flower and extraction process is used to produce the oil placed in vape cartridges. The vape cartridge and packaging is obtained from 3rd party suppliers and there are numerous suppliers that can meet our demand. The company does not use vitamin E acetate or any other artificial agent for thinning any cannabis oil products.

Distillate Oil - our flower is used to produce distillate oil. The packaging is obtained from 3rd party suppliers. There are plenty of suppliers that can meet our demand. All chemicals required for the distillation are common and readily available for purchase.

Edibles – all ingredients are locally sourced. We use our in-house produced distillate oil to infuse all the edibles. We cultivate and produce medical and recreational marijuana products such as flower, oil extracts and edibles under the brand name “Body and Mind”.

Competitive business conditions

Supply & Demand - as our competitors expand operations, there is more supply creating less demand for mid and low quality cannabis products. We continue to provide high quality products, excellent customer service, and competitive prices.

We have built our business plan around capitalizing on the medical-use and recreational cannabis market. The regulated medical-recreational use cannabis industry is a rapidly growing industry that presents a unique opportunity under current market conditions. In the United States, the development and growth of the industry has generally been driven by state law and regulation, and accordingly, the market varies on a state-by-state basis.

We believe that the following conditions create an attractive opportunity for the cultivation, production and retail sales of products within the medical recreational-use cannabis industry:

- Significant industry growth in recent years and expected continued growth;
- A shift in public opinion and increasing momentum toward the legalization of cannabis;
- Limited access to capital by industry participants in light of risk perceived by financial institutions of violating federal laws and regulatory guidelines for offering banking services to cannabis-related businesses;
- Opportunity for skilled operators to transfer operational and execution experience to new facilities and operations.

Notwithstanding the foregoing market opportunity and trends, and despite legalization at the state level, we continue to believe that the current state of federal law creates significant uncertainty and potential risks associated with investing in medical-use and recreational-use cannabis facilities.

We have a distribution licence and infrastructure to distribute our products and our primary market is in State of Nevada.

Product Regulation

State laws that legalize and regulate medical-use cannabis allow patients to consume cannabis for medicinal reasons with a doctor’s recommendation subject to various requirements and limitations.

In Ohio, patients must have a qualifying medical condition to be eligible for a medical-use card. Such qualifying medical conditions include: HIV/AIDS; Alzheimer’s disease; amyotrophic lateral sclerosis (ALS); cancer; chronic traumatic encephalopathy (CTE); Crohn’s disease; epilepsy or another seizure disorder; fibromyalgia; glaucoma; hepatitis C; inflammatory bowel disease; multiple sclerosis; pain that is chronic and severe, or intractable; Parkinson’s disease; post-traumatic stress disorder; sickle cell anemia; spinal cord disease or injury; Tourette’s syndrome; traumatic brain injury; and ulcerative colitis. Ohio prohibits smoking of medical-use cannabis, but permits oils, tinctures, plant material, edibles and patches. Ohio medical-use card holders may not possess more than a 90-day supply of medical marijuana, which is defined by form, as follows: plant material- no more than eight ounces of tier I medical marijuana, no more than five and three-tenths ounces of tier II medical marijuana; no more than twenty-six and fifty-five-hundredths grams of THC content in patches for transdermal administration or lotions, creams, or ointments for topical administration; no more than nine and nine-tenths grams of THC content in oil, tincture, capsule, or edible form for oral administration; no more than fifty-three and one-tenths grams of THC content in medical marijuana oil for vaporization. (THC, which is short for tetrahydrocannabinol, is the principal psychoactive cannabinoid in cannabis.)

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In November 2016, California and Nevada voters both approved cannabis use for adults over the age of 21 without a physician's prescription or recommendation, and permitted the cultivation and sale of marijuana, in each case subject to certain limitations:

- In November 2016, California voters approved Proposition 64, which is also known as the Adult Use of Marijuana Act (the "AUMA"), in a ballot initiative. Among other things, the AUMA makes it legal for adults over the age of 21 to use marijuana and to possess up to 28.5 grams of marijuana flowers and 8 grams of marijuana concentrates. Individuals are also permitted to grow up to six marijuana plants for personal use. In addition, the AUMA establishes a licensing system for businesses to, among other things, cultivate, process and distribute marijuana products under certain conditions. On January 1, 2018, the California Bureau of Marijuana Control enacted regulations to implement the AUMA.
- Nevada voters approved Question 2 in a ballot initiative in November 2016. Among other things, Question 2 makes it legal for adults over the age of 21 to use marijuana and to possess up to one ounce of marijuana flowers and one-eighth of an ounce of marijuana concentrates. Individuals are also permitted to grow up to six marijuana plants for personal use. In addition, Question 2 authorizes businesses to cultivate, process and distribute marijuana products under certain conditions.

We have obtained the necessary permits and licenses to expand our existing business to cultivate and distribute cannabis in compliance with the laws in the State of Nevada and California.

Arkansas voters approved medical use in 2017 and we have obtained the necessary approvals and licenses to carry out our management agreement with a licensee in the state of Arkansas.

In Michigan, the state has approved adult-use licenses and we operate an adult use retail center in Muskegon, MI.

In Illinois, we plan to develop and manage the two dispensary licenses that we have access to through construction financing agreements.

With the recent acquisition of a NJ company that holds the rights to a NJ dispensary, we plan to develop and operate a cannabis dispensary business in the forthcoming year.

Despite the changes in state laws, cannabis remains illegal under federal law. The U.S. Department of Justice (the "DOJ") has not historically devoted resources to prosecuting individuals whose conduct is limited to possession of small amounts of marijuana for use on private property but has relied on state and local law enforcement to address marijuana activity. In the event the DOJ reverses its stated policy and begins strict enforcement of the CSA in states that have laws legalizing medical marijuana and recreational marijuana in small amounts, there may be a direct and adverse impact to our business and our revenue and profits.

We are monitoring the current federal administration's, the DOJ's and Congress' positions on federal marijuana law and policy. Recently, there have been positive discussions about the Federal Government's approach to cannabis, including the Medical Marijuana and Cannabidiol Research Expansion Law which enables research into marijuana-derived medications. The DOJ has not signaled any change in their enforcement efforts. Based on public statements and reports, we understand that certain aspects of those laws and policies are currently under review, but no official changes have been announced.

It is possible that certain changes to existing laws or policies could have a negative effect on our business and results of operations. Although the possession, cultivation and distribution of marijuana for medical and adult use is permitted in certain states, provided compliance with applicable state and local laws, rules, and regulations, marijuana is illegal under federal law. We believe we operate our business in compliance with applicable Nevada, California, Ohio, Michigan and Arkansas laws and regulations. However, any changes in federal, state or local law enforcement regarding marijuana may affect our ability to operate our business.

Further, strict enforcement of federal law regarding marijuana would likely result in the inability to proceed with our business plans, could expose us to potential criminal liability and could subject our properties to civil forfeiture. Any changes in banking, insurance or other business services may also affect our ability to operate our business.

Competitive Conditions and Position

Production and Sales

NMG has a number of licenses and a long-term lease for a facility allowing it to cultivate, produce and distribute medical and recreational marijuana. In addition to flower products, we produce marijuana extract products such as distillate oil, ice wax, dry sift, shatter, edibles and topicals.

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The Nevada, California, Ohio and Arkansas Markets

We face competition from a variety of competitors. Several factors impacting competition include, but are not limited to, the quality control and consistency of products being produced, the hiring and retention of competent personnel within the industry, brand marketing and production costs.

The United States Market

We face competition from a diverse mix of market participants, including, but not limited to, independent investors, hedge funds and other cannabis operators, all of whom may compete with us to acquire real estate zoned for medical-use and/or recreational-use cannabis facilities. The current market for medical and recreational marijuana products may be limited as more competitors enter the market.

See – *Risk Factors – Risks related to the Business and Industry.*

Intellectual Property

Patents and Trademarks

We currently have “BaM” trademarked in Colorado. The description of the Trademark is: Capital “B” lowercase “a” capital “M” which is an abbreviation for Body and Mind. We currently have “BaM Body and Mind” and our logo design trademarked with the United States Patent and Trademark Office (USPTO).

Nevada – NMG filed and registered the “BaM” trademark with the State of Nevada effective November 18, 2022.

Nevada – NMG filed and registered the “KC King Cannabis” trademark with the State of Nevada effective November 7, 2018. The trademark expires on November 7, 2023.

Ohio – Body and Mind, Inc. filed and registered the “BaM” trademark with the State of Ohio effective November 21, 2022.

Montana - NMG filed and registered the “BaM” trademark with the State of Montana effective July 20, 2017. The trademark expired on July 20, 2022.

Colorado - NMG filed and registered the “BaM” trademark with the State of Colorado effective August 16, 2017. The trademark expires on August 16, 2026.

United States – Body and Mind, Inc. filed and registered two “BaM Body and Mind” trademarks with the United States Patent and Trademark Office (USPTO) effective November 29, 2021, which includes our logo design. The trademark will remain live if Body and Mind, Inc. continues to file its declarations of use and renewals by the applicable deadlines.

Employees

Including all companies, we currently have 128 full and part-time employees across all of its locations.

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	13% per annum, payable monthly in cash on the first of each month following funding
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.

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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.

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.

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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.

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.

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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.

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 hereto 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”) 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 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.

Licenses

City of Las Vegas – Business License (Medical and Adult-Use Cultivation)

Nevada Medical Group, LLC was granted Business License #M66-00066 by the City of Las Vegas, Nevada on July 1, 2022 (“License M66-00066”). The business license expires on January 1, 2023.

City of Las Vegas –Business License (Medical and Adult-Use Production)

Nevada Medical Group, LLC was granted Business License #M68-00014 by the City of Las Vegas, Nevada on July 1, 2022 (“License M68-00014”). The business license expires on January 1, 2023.

City of Las Vegas –Business License (Adult-Use Distribution)

Nevada Medical Group, LLC was granted Business License #P70-00292 by the City of Las Vegas, Nevada on December 19, 2022 (“License P070-00292”). The business license expires on March 19, 2023.

City of North Las Vegas – Business License (Adult-Use Distribution)

Nevada Medical Group, LLC was granted Business License #MB-000821-2021 by the City of North Las Vegas, Nevada on August 31, 2022 (“License MB-000821-2021”). The business license expires on January 31, 2023.

City of Henderson – Business License (Adult-Use Distribution)

Nevada Medical Group, LLC was granted Business License #2021315923 by the City of Henderson, Nevada on October 1, 2022 (“License 2021315923”). The business license expires on March 31, 2023.

Clark County Limited Business License (Medical and Adult-Use Cultivation and Adult-Use Distribution)

Nevada Medical Group, LLC was granted Limited Business License #2000032.MMR-301 by Clark County, Nevada (“Clark County”) on February 24, 2022 (“License 2000032.MMR-301”). The limited business license expires on December 31, 2022.

Clark County Limited Business License (Medical and Adult-Use Production)

Nevada Medical Group, LLC was granted Limited Business License #2000219.MMR-301 by Clark County, Nevada (“Clark County”) on January 1, 2022 (“License 2000219.MMR-301”). The limited business license expires on December 31, 2022.

Nevada Secretary of State – Business License

Nevada Medical Group, LLC was granted a Nevada State Business License #NV20141151164 by the Nevada Secretary of State on March 16, 2022. The license expires on March 31, 2023.

Nevada Cannabis Compliance Board – State License (Medical Cultivation)

Nevada Medical Group, LLC was granted Medical Cultivation License number 30658964196185382559 by the State of Nevada Cannabis Compliance Board for C144 on June 13, 2022 (“License 30658964196185382559”). The license expires on June 30, 2023.

Nevada Cannabis Compliance Board – State License (Adult-Use Cultivation)

Nevada Medical Group, LLC was granted Adult-Use Cultivation License number 30658964196185382559 by the State of Nevada Cannabis Compliance Board for RC144 on June 19, 2022 (“License 79806207400948405980”). The license expires on June 30, 2023.

Nevada Cannabis Compliance Board – State License (Medical Production)

Nevada Medical Group, LLC was granted Medical Production License number 82120463387641172380 by the State of Nevada Cannabis Compliance Board for P044 on June 13, 2022 (“License 82120463387641172380”). The license expires on June 30, 2023.

Nevada Cannabis Compliance Board – State License (Adult-Use Production)

Nevada Medical Group, LLC was granted Adult-Use Production License number 20833618692863727137 by the State of Nevada Cannabis Compliance Board for RP144 on June 19, 2022 (“**License 20833618692863727137**”). The license expires on June 30, 2023.

Nevada Cannabis Compliance Board – State License (Adult-Use Distribution)

Nevada Medical Group, LLC was granted Adult-Use Distribution License number 99035327095322531359 by the State of Nevada Cannabis Compliance Board for T055 on December 14, 2021 (“**License 99035327095322531359**”). The license expires on January 31, 2023.

California Bureau of Cannabis Control – State License (Medical and Adult-Use Retailer)

NMG San Diego, LLC was granted Adult-Use and Medical Cannabis Retailer License number C10-0000653-LIC by the California Department of Cannabis Control on November 12, 2019 (“**License number C10-0000653**”). The license expires on November 11, 2023.

City of San Diego – Business Permit (Medical and Adult-Use Retailer)

NMG San Diego, LLC was granted a Cannabis Business Operational Permit by the City of San Diego, California Development Services on July 19, 2022. The operational permit expires on July 19, 2023.

California Bureau of Cannabis Control – State License (Medical and Adult-Use Retailer)

NMG Long Beach, LLC was granted Adult-Use and Medical Cannabis Retailer License number C10-0000732-LIC by the California Department of Cannabis Control on June 22, 2020 (“**License C10-0000732**”). The license expires on June 22, 2023.

City of Long Beach – Business License (Medical Dispensary)

NMG Long Beach, LLC was granted Medical Dispensary Business License number MJ21915361 by the City of Long Beach, California on October 19, 2021 (“**License MJ21915361**”). The business license expires on February 8, 2023.

City of Long Beach – Business License (Adult-Use Dispensary)

NMG Long Beach, LLC was granted Adult-Use Dispensary Business License number MJ21915360 by the City of Long Beach, California on October 19, 2021 (“**License number MJ21915360**”). The business license expires on January 17, 2024.

California Bureau of Cannabis Control – State License (Medical and Adult-Use Retailer)

Canopy Monterey Bay, LLC was granted Adult-Use and Medical Cannabis Retailer License number C10-0000253-LIC by the California Department of Cannabis Control on June 20, 2019 (“**License C10-0000253**”). The license expires on June 19, 2023.

City of Seaside – Business License (Medical and Adult-Use Dispensary)

Canopy Monterey Bay, LLC was granted Business License number CAN20104 by the City of Seaside, California on July 1, 2022 (“**License CAN20104**”). The business license expires on June 30, 2023.

California Bureau of Cannabis Control – State License (Medical and Adult-Use Manufacturer)

NMG CA P1, LLC was granted Adult-Use and Medical Cannabis Manufacturer License number CDPH-10004781 by the California Department of Cannabis Control on June 10, 2022 (“**License CDPH-10004781**”). The license expires on June 10, 2023.

California Bureau of Cannabis Control – State License (Medical and Adult-Use Distributor)

NMG CA P1, LLC was granted Adult-Use and Medical Cannabis Distributor License number C11-0001558-LIC by the California Department of Cannabis Control on May 18, 2022 (“**License CDPH-10004781**”). The license expires on May 18, 2023.

City of Cathedral City – Business License (Medical and Adult-Use Manufacturer and Distributor)

NMG CA P1, LLC was granted Medical and Adult-Use Manufacturer and Distribution Cannabis Business Local License MCL 20-005-MT-21 by the City of Cathedral City on October 21, 2022 (“**License MCL 20-005-MT-21**”). The license expires on October 21, 2023.

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Michigan Marijuana Regulatory Agency – State License (Medical Retailer)

NMG MI 1, Inc. was granted Provisioning Center Facility License number PC-000756 by the Michigan Marijuana Regulatory Agency on January 18, 2022 (“**License PC-000756**”). The license expires on January 18, 2023.

Michigan Marijuana Regulatory Agency – State License (Adult-Use Retailer)

NMG MI 1, Inc. was granted Marihuana Retailer Establishment License number AU-R-000617 by the Michigan Marijuana Regulatory Agency on January 26, 2022 (“**License number AU-R-000617**”). The license expires on January 26, 2023.

City of Muskegon – City License (Medical and Adult-Use Retailer)

NMG MI 1, Inc. was granted a Marihuana Facility License by the City of Muskegon, Michigan on August 3, 2022. The license expires on August 3, 2023.

Michigan Marijuana Regulatory Agency – State Prequalification (Medical Cultivation)

NMG MI C1, Inc. was granted Prequalification Status by the Michigan Marijuana Regulatory Agency on April 23, 2021. The prequalification status expires on April 23, 2023.

Michigan Marijuana Regulatory Agency – State Prequalification (Adult-Use Cultivation)

NMG MI C1, Inc. was granted Prequalification Status by the Michigan Marijuana Regulatory Agency on July 19, 2021. The prequalification status expires on July 19, 2023.

Michigan Marijuana Regulatory Agency – State Prequalification (Medical Production)

NMG MI P1, Inc. was granted Prequalification Status by the Michigan Marijuana Regulatory Agency on April 23, 2021. The prequalification status expires on April 23, 2023.

Michigan Marijuana Regulatory Agency – State Prequalification (Adult-Use Production)

NMG MI P1, Inc. was granted Prequalification Status by the Michigan Marijuana Regulatory Agency on July 19, 2021. The prequalification status expires on July 19, 2023.

City of Manistee – City License (Adult-Use Cultivation)

NMG MI C1, Inc. was granted a Provisional Recreational Marihuana Grower License by the City of Manistee, Michigan on June 6, 2022. The license expires on June 6, 2023.

Ohio Department of Pharmacy – State Certificate of Operation (Medical Dispensary)

NMG OH 1, LLC was granted Medical Marijuana Dispensary Certificate of Operation number MMD.0700054 by the Ohio Department of Pharmacy Medical Marijuana Control Program on July 1, 2021 (“**License MMD.0700054**”). The certificate expires on July 1, 2023.

Ohio Department of Commerce – State Certificate of Operation (Medical Processor)

NMG OH P1, LLC was granted Medical Marijuana Processor Certificate of Operation number MMCPP00095 by the Ohio Department of Commerce Medical Marijuana Control Program on June 18, 2022 (“**License MMCPP00095**”). The certificate expires on June 17, 2023.

ITEM 1A. RISK FACTORS

In addition to the information contained in this Annual Report on Form 10-K, we have identified the following material risks and uncertainties which reflect our outlook and conditions known to us as of the date of this Annual Report. These material risks and uncertainties should be carefully reviewed by our stockholders and any potential investors in evaluating the Company, our business and the market value of our common stock. Furthermore, any one of these material risks and uncertainties has the potential to cause actual results, performance, achievements or events to be materially different from any future results, performance, achievements or events implied, suggested or expressed by any forward-looking statements made by us or by persons acting on our behalf. Refer to “Forward-looking Statements”.

There is no assurance that we will be successful in preventing the material adverse effects that any one or more of the following material risks and uncertainties may cause on our business, prospects, financial condition and operating results, which may result in a significant decrease in the market price of our common stock. Furthermore, there is no assurance that these material risks and uncertainties represent a complete list of the material risks and uncertainties facing us. There may be additional risks and uncertainties of a material nature that, as of the date of this Annual Report, we are unaware of or that we consider immaterial that may become material in the future, any one or more of which may result in a material adverse effect on us. You could lose all or a significant portion of your investment due to any one of these material risks and uncertainties.

Risks Related to the Business and Industry

We have a limited operating history which may make it difficult for investors to predict future performance based on current operations.

We have a limited operating history upon which investors may base an evaluation of our potential future performance. Our subsidiary, NMG was formed on March 3, 2014 and began carrying on business in the same year, and therefore, our prospects must be considered in light of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues.

We have incurred losses in prior periods, and losses in the future could cause the quoted price of our Common Shares to decline or have a material adverse effect on our financial condition, our ability to pay our debts as they become due and on our cash flow.

We have incurred losses in prior periods. For the fiscal year ended July 31, 2022, we incurred a comprehensive loss of \$28,131,724 and, as of that date, we had an accumulated deficit of \$45,803,026. Any losses in the future could cause the quoted price of our Common Shares on the CSE to decline or have a material adverse effect on our financial condition, our ability to pay our debts as they become due, and on our cash flow.

We are a holding company and investors are subject to the risks attributable to our subsidiaries which generate substantially all of our revenues.

We are a holding company and essentially all of our operating assets are the capital stock of our subsidiaries. As a result, investors in us are subject to the risks attributable to our subsidiaries. As a holding company, we conduct our business through our subsidiaries, which generate substantially all of our revenues. Consequently, our cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of our subsidiaries and the distribution of those earnings to us. The ability of our subsidiaries to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to us.

As a manufacturer and distributor of ingestible products, we face exposure to product liability claims, regulatory action and litigation if products are alleged to have caused harm.

We face an inherent risk of exposure to product liability claims, regulatory action and litigation if our products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of our products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of our products alone or in combination with other medications or substances could occur. We may be subject to various product liability claims, including, among others, that its products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against us could result in increased costs, could adversely affect our reputation with our clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition. There can be no assurances that we will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of our potential products.

As a manufacturer and distributor of products, we face exposure to product recalls or return of products.

We may be subject to the recall or return of our products for reasons such as, product defects, contamination, unintended harmful side effects, interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of our products are recalled, we could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. We may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. There can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of our significant brands were subject to recall, the image of the brand and Body and Mind could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for our products and could have a material adverse effect on our results of operations and financial condition. Additionally, product recalls may lead to increased scrutiny of our regulatory agencies, requiring further management attention and potential legal fees and other expenses.

The impact of the COVID-19 pandemic on the global economy and our operations remains uncertain, which could have a material adverse impact on our business, results of operations and financial condition and on the market price of our common shares.

In December 2019, a strain of novel coronavirus (now commonly known as COVID-19) was reported to have surfaced in Wuhan, China. COVID-19 has since spread rapidly throughout many countries, and, on March 11, 2020, the World Health Organization declared COVID-19 to be a pandemic. In an effort to contain and mitigate the spread of COVID-19, many countries, including the United States, Canada and China, have imposed unprecedented restrictions on travel, and there have been business closures and a substantial reduction in economic activity in countries that have had significant outbreaks of COVID-19. COVID-19 may have a future material impact on our results of operation with respect to retail sales at our dispensary locations as well as wholesales of our products in Nevada to dispensaries in Nevada. In Nevada, the state forced all in-store sales to be halted in March 2020, only allowing home delivery sales, and eventually curbside pickup sales. This order forced the retail market and the wholesale demand to nearly stop until retailers satisfied regulatory requirements to carry out home delivery and curbside pickup. This had a significant negative impact on our sales from March 2020 to May 2020 in Nevada. Although certain COVID-19 restrictions have been relaxed, 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. The COVID-19 pandemic has resulted in significant financial market volatility and uncertainty. A continuation or worsening of the levels of market disruption and volatility seen in the recent past could have an adverse effect on our ability to access capital, on our business, results of operations and financial condition, and on the market price of our common shares.

Our future success depends on our key executive officers and our ability to attract, retain, and motivate qualified personnel.

Our future performance depends on the continued services and continuing contributions of our senior management, particularly the Chief Executive Officer who consults to us. Certain members of our senior management team are generally contracted on an at-will basis, which means that they could terminate their employment with us at any time with little or short notice. The loss of the services of our senior management, the CEO, or other key employees/contractors for any reason could significantly delay or prevent the achievement of our strategic objectives and harm our business, financial condition and operating results.

Our continuing ability to attract and retain highly qualified personnel will also be critical to our success because of the need to hire and retain additional personnel as business grows. There can be no assurance that we will be able to attract or retain highly qualified personnel. Because of these factors, we may not be able to effectively manage or grow our business, which could adversely affect our financial condition and operations.

Litigation may adversely affect our business, financial condition and operating results.

We and/or our subsidiaries may become party to litigation from time to time in the ordinary course of our respective businesses which could adversely affect our respective operations. Should any litigation in which we and/or our subsidiaries become involved be determined against us and/or our subsidiaries, such a decision may adversely affect our respective abilities to continue operating, adversely affect the market price of our Common Shares and use significant resources. Even if we and/or our subsidiaries, as the case may be, is involved in litigation and succeeds, litigation can redirect significant company resources. In addition, litigation may also create a negative perception of our brand.

Our intended growth could suffer if the markets into which we sell our products and services decline, do not grow as anticipated or experience cyclicality.

Our growth depends in part on the growth of the markets which we serve, and visibility into our markets is limited. Our quarterly sales and profits depend substantially on the volume and timing of orders received during the fiscal quarter, which are difficult to forecast. Any decline or lower than expected growth in our served markets could diminish demand for our products and services, which could adversely affect our financial condition and results of operations.

Our business operates in industries that may experience periodic, cyclical downturns. In addition, if our business demand depends on customers' spending budgets, product and economic cycles can affect the spending decisions of these customers. Demand for our products and services is also sensitive to changes in customer order patterns, which may be affected by announced price changes, changes in incentive programs, new product introductions and customer inventory levels. Any of these factors could adversely affect our growth and results of operations in any given period.

We face intense competition and our competitors may have a longer operating history or greater financial resources allowing them to compete more effectively.

We may face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than us. Increased competition by larger and better financed competitors could materially and adversely affect our business, financial condition and results of operations.

The State of Nevada, as well as the states of Ohio, Illinois and New Jersey, have only issued to date a small number of licenses to produce and sell medical marijuana. There were, however, many applicants for licenses. Because of early stages of the industry in which we operate, we expect to face additional competition from new entrants. If the number of users of medical marijuana in the United States increases, the demand for products will increase and we expect that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. We may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis, which could materially and adversely affect our business, financial condition and results of operations.

Failure to comply with environmental and safety laws may result in us incurring additional costs for corrective measures.

Medical marijuana operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. Our failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions in manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations or give rise to material liabilities, which could have an adverse effect on our business, financial conditions and results of operations.

Our cannabis crop could be harmed by pests, plant diseases or other agricultural risks which would have a material adverse effect on our business.

Our business involves the growing of cannabis, which is an agricultural product. As such, our business is subject to the risks inherent in the agricultural business, such as pests, plant diseases and similar agricultural risks. This could lead to a reduced yield when harvesting the cannabis affecting the supply of cannabis for distribution, and, therefore, could have a material adverse effect on our business operations and our ability to meet consumer demand.

We may experience increased costs during the growth stage of the cannabis due to the possibility of rising energy costs.

Growing cannabis requires a considerable amount of energy. We are vulnerable to rising costs of energy due to our need to consume considerable amounts of energy to grow our product. Rising or volatile energy costs may adversely impact our business by increasing production costs and decreasing revenue if those increased costs cannot be transferred to the consumer.

The cannabis industry is difficult to forecast due to the industry being in the early growth stages.

Detailed sales forecasts are not generally obtainable from sources at this early stage of the medical marijuana industry in the United States. A failure in the demand for products to materialize as a result of competition, technological change or other factors could have a material adverse effect on our business, financial condition and results of operations.

Our public image and the consumer perception of us is greatly influenced by scientific research, regulatory investigations, and media attention. Negative publicity will result in an unfavorable public image and will negatively affect our financial condition and results of operations.

We believe the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical marijuana produced. Consumer perception of our products and proposed products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medical marijuana market or any particular product, or consistent with earlier publicity.

Our dependence upon consumer perceptions means that adverse reports, findings, attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on us, the demand for our products and proposed products, and our business, financial condition, cash flow and results of operations. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or our products and proposed products specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have a material adverse effect on our business and results of operations. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Risks related to the Federal and State Regulations

Federal regulation and enforcement may adversely affect the implementation of cannabis laws and regulations may negatively impact our results of operations.

Cannabis is a Schedule I controlled substance under the *Controlled Substance Act* (the “CSA”). Even in those jurisdictions in which the manufacture and use of medical cannabis has been legalized at the state level, the possession, use, cultivation, and transfer of cannabis remains a violation of federal law. Federal law criminalizing the use of cannabis pre-empts state laws that legalize its use for medicinal or adult-retail purposes, and therefore strict enforcement of federal law regarding cannabis would severely restrict our ability to carry out our business plan.

The U.S. Department of Justice under the Obama administration had issued memoranda, including the so-called “Cole Memorandum” on August 29, 2013, characterizing enforcement of federal cannabis prohibitions under the CSA to prosecute those complying with state regulatory systems allowing the use, manufacture and distribution of medical cannabis as an inefficient use of federal investigative and prosecutorial resources when state regulatory and enforcement efforts are effective with respect to enumerated federal enforcement priorities under the CSA. In the Cole Memorandum, the U.S. Department of Justice provided guidance to all federal prosecutors indicating that federal enforcement of the CSA against cannabis-related conduct should be focused on eight priorities, which are to prevent: (1) distribution of cannabis to minors; (2) revenue from sale of cannabis to criminal enterprises, gangs and cartels; (3) transfer of cannabis from states where it is legal to states where it is illegal; (4) cannabis activity from being a pretext for trafficking of other illegal drugs or illegal activity; (5) violence or use of firearms in cannabis cultivation and distribution; (6) drugged driving and adverse public health consequences from cannabis use; (7) growth of cannabis on federal lands; and (8) cannabis possession or use on federal property.

On January 4, 2018, Attorney General Jeff Sessions issued a memo updating the Department of Justice’s policy on federal marijuana enforcement (the “**Sessions Memorandum**”). The Sessions Memorandum effectively rescinded and replaced the Cole Memorandum, and directed all U.S. Attorneys to enforce the laws enacted by Congress and to follow well-established principles when pursuing prosecutions related to marijuana activities. While in theory the protections under the Cole Memorandum have been abolished, the new policy does not explicitly direct local U.S. Attorneys to launch an attack on state-legal marijuana businesses. Rather, the new policy promulgated by the Sessions Memorandum is to return local control to federal prosecutors who know where and how to deploy Justice Department resources most effectively to reduce violent crime, stem the tide of the drug crisis, and dismantle criminal gangs. The threat of federal prosecution remains for legitimate, state-legal marijuana businesses, including our business.

However, no assurance can be given that the federal prosecutor in each judicial district where we operate will agree that our activities within such prosecutor’s district do not go contrary to the Justice Department’s goals. There is also no guarantee that the current administration or future administrations will not revise the federal enforcement priorities enumerated in the Cole Memorandum, the Sessions Memorandum or otherwise choose to strictly enforce the federal laws governing cannabis production or distribution.

On April 11, 2018, U.S. Senator Cory Gardner received assurances from former President Donald Trump that 1) states with legal marijuana industries would not be targeted by the Justice Department, 2) the rescission of the Cole Memorandum would not impact state’s legal marijuana industries, and 3) that the former President would support a federalism-based legislative solution to fix the states’ rights issue once and for all. The former President’s comments are encouraging to legal marijuana businesses; however, no legislative action at the federal level has been taken.

Under U.S. federal law, banks or other financial institutions that provide us with banking services could be found guilty of money laundering, which restricts our ability to receive reputable banking services and adversely affects our business operations.

Under U.S. federal law it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from marijuana sales or any other Schedule I substance. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy. Financial institutions must submit a “suspicious activity report” (“**SAR**”) as required by federal money laundering laws. These marijuana related SARs are divided into three categories: marijuana limited, marijuana priority, and marijuana terminated, based on the financial institution’s belief that the marijuana business follows state law, is operating out of compliance with state law, or where the banking relationship has been terminated. There can be no assurance that a negative SAR will not be filed against us limiting our access to banking services as well as subjecting us to Federal review. This will also negatively impact our public image and affect operations.

Risks related to Our Securities

We may issue additional Common Shares in the future, which could cause significant dilution to all shareholders.

Our Articles of Incorporation authorize the issuance of up to 900,000,000 Common Shares, with a par value of \$0.0001 per share. As of January 13, 2023, the Company had 146,636,974 Common Shares issued and outstanding, 7,553,000 stock options outstanding and 36,415,284 share purchase warrants outstanding, of which 3,200,000 share purchase warrants were held in escrow.

As at July 31, 2022, the Company's 9,453,000 stock options outstanding of which only 8,492,000 stock options are exercisable into 8,492,000 Common Shares of the Company with the following terms:

Number of Options outstanding	Exercise price	Expiry dates
1,900,000	CAD\$0.66	November 24, 2022
175,000	CAD\$0.41	June 6, 2023
855,000	CAD\$0.57	December 10, 2023
150,000	CAD\$0.61	December 10, 2023
1,950,000	CAD\$0.88	August 21, 2024
250,000	CAD\$0.93	October 1, 2024
200,000	CAD\$0.88	January 23, 2025
250,000	CAD\$0.405	March 1, 2025
1,375,000	CAD\$0.67	April 30, 2025
1,250,000	CAD\$0.68	March 6, 2026
250,000	CAD\$0.65	April 5, 2024
200,000	CAD\$0.44	November 30, 2024
448,000	CAD\$0.44	November 30, 2026
200,000	CAD\$0.15	July 8, 2027
9,453,000		

Number of Options exercisable	Exercise price	Expiry dates
1,900,000	CAD\$0.66	November 24, 2022
175,000	CAD\$0.41	June 6, 2023
855,000	CAD\$0.57	December 10, 2023
150,000	CAD\$0.61	December 10, 2023
1,950,000	CAD\$0.88	August 21, 2024
250,000	CAD\$0.93	October 1, 2024
200,000	CAD\$0.88	January 23, 2025
250,000	CAD\$0.405	March 1, 2025
1,375,000	CAD\$0.67	April 30, 2025
625,000	CAD\$0.68	March 6, 2026
250,000	CAD\$0.65	April 5, 2024
200,000	CAD\$0.44	November 30, 2024
112,000	CAD\$0.44	November 30, 2026
200,000	CAD\$0.15	July 8, 2027
8,492,000		

As at July 31, 2022, the Company's 18,215,284 share purchase warrants outstanding are exercisable into 18,215,284 Common Shares of the Company with the following terms:

Number of warrants outstanding and exercisable	Exercise price	Expiry dates
11,780,134	CAD\$1.50	May 17, 2023
635,150	CAD\$1.25	May 16, 2023
4,800,000	US\$0.40	July 19, 2025
1,000,000	US\$0.16	June 14, 2027
18,215,284		

- (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.

We may issue additional Common Shares in the future in connection with a financing or an acquisition. Such issuances may not require the approval of our shareholders. Any issuance of additional shares of our Common Shares, or equity securities convertible into our Common Shares, including but not limited to, warrants and options, will dilute the percentage ownership interest of all shareholders, may dilute the book value per share of our Common Shares, and may negatively impact the market price of our Common Shares.

Because we do not intend to pay any cash dividends on our Common Shares, our shareholders will not be able to receive a return on their shares unless they sell them.

We intend to retain any future earnings to finance the development and expansion of our business. We do not anticipate paying any cash dividends on our Common Shares in the foreseeable future. Declaring and paying future dividends, if any, will be determined by our Board, based upon earnings, financial condition, capital resources, capital requirements, restrictions in our Articles of Incorporation, contractual restrictions, and such other factors as our Board deems relevant. Unless we pay dividends, our shareholders will not be able to receive a return on their shares unless they sell them. There is no assurance that shareholders will be able to sell shares when desired.

Our Common Shares are categorized as “penny stock”, which may make it more difficult for investors to buy and sell our Common Shares due to suitability requirements.

Our Common Shares are considered “penny stock”. The SEC has adopted Rule 15c-9 which generally defines “penny stock” to be any equity security that has a market price less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. The price of our Common Shares is significantly less than \$5.00 per share. This designation imposes additional sales practice requirements on broker-dealers who sell to persons other than established customers and “accredited investors”. The penny stock rules require a broker-dealer buying securities to disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities given the increased risks generally inherent in penny stocks. These rules may restrict the ability and/or willingness of brokers or dealers to buy or sell our Common Shares, either directly or on behalf of their clients, may discourage potential stockholders from purchasing our Common Shares, or may adversely affect the ability of stockholders to sell their shares.

Financial Industry Regulatory Authority (“FINRA”) sales practice requirements may also limit a shareholder’s ability to buy and sell our Common Shares, which could depress the price of our Common Shares.

In addition to the “penny stock” rules described above, FINRA has adopted rules that require a broker-dealer to have reasonable grounds for believing that the investment is suitable for that customer before recommending an investment to a customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer’s financial status, tax status, investment objectives, and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low-priced securities will not be suitable for at least some customers. Thus, the FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our Common Shares, which may limit your ability to buy and sell our Common Shares, have an adverse effect on the market for our Common Shares, and thereby depress our price per Common Share.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Property Leases

On January 10, 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 September 7, 2018, SJK Services, LLC amended its lease agreement with Meng Lin Zhang. On December 14, 2018, SJK Services, LLC assigned the amended lease agreement to The Airport Collective, Inc., a California corporation. On March 8, 2019, The Airport Collective, Inc. assigned the amended lease agreement to NMG Long Beach, LLC. On June 14, 2021, we exercised our option to extend the lease agreement for one additional term of five years. On March 1, 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 \$7,317 + 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.

On November 10, 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 May 9, 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 \$13,659 + common area expenses and increased to \$13,663 + common area expenses on January 1, 2022. Currently, the guaranteed minimum monthly rent is subject to a 2% increase on each anniversary date of the lease.

On August 2, 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 August 14, 2020, NMG Ohio, LLC assigned the lease agreement to NMG OH 1, LLC. On May 11, 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 July 1, 2021. The minimum monthly rent is subject to a 5% increase for each option period.

On December 1, 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 June 13, 2019, we have three options to extend the lease and each option is for five years. The monthly base rent was \$15,914 + common area expenses and increased to \$16,390 + common area expenses on December 1, 2021. 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.

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On May 7, 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 May 1, 2022. The guaranteed minimum monthly rent is subject to a \$.03 per square foot, per month, increase on each anniversary date of the lease for years one through three of the term and \$.04 per square foot, per month, increase on each anniversary date of the lease for years four through five of the term.

On October 1, 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 monthly rent is \$4,000. The guaranteed minimum monthly rent is subject to 5% increase for each option period. On September 1, 2021, the lease agreement was assigned to NMG OH P1, LLC with the same terms.

On December 4, 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 January 27, 2022, which extended the term to December 31, 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.

On December 4, 2020, NMG CA C1, LLC entered into a five-year lease agreement with Cat City 2, LLC, a California limited liability company, for the property located at 68945 Perez Rd., Suites 2-4, Cathedral City, California 92234, containing approximately 13,024 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 February 2, 2022, which extended the term to December 31, 2026 and rent commencement date. The base rent is \$14,325 plus common area expenses for the first six months and increases to \$22,790 plus common area expenses on the seventh month.

On February 10, 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.

On February 10, 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.

On April 23, 2021, NMG MI 1, Inc. entered into a five-year lease agreement with Kendal Properties, LLC, 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.

On July 1, 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 December 1, 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.

On April 7, 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.

On December 4, 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 January 27, 2022, which extended the term to December 31, 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.

ITEM 3.

We are not, and were not during our most recently completed fiscal year, 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 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for Common Stock

Our common stock was quoted on the OTC Pink since November 6, 2008, initially under the symbol "DPLY" until December 8, 2017 and then under the symbol "BMMJ" as a result of our name change on November 14, 2017 in connection with our acquisition of NMG. As of July 30, 2019, our common stock was posted for trading on the OTCQB under the same symbol "BMMJ". The market for our common stock is limited, and can be volatile. The following table sets forth the high and low bid prices relating to our common stock on a quarterly basis for the periods indicated as quoted by the OTCQB and OTC Pink. These quotations reflect inter-dealer prices without retail mark-up, mark-down, or commissions, and may not reflect actual transactions.

Quarter Ended	High Bid	Low Bid
July 31, 2022	\$ 0.19	\$ 0.09
April 30, 2022	\$ 0.32	\$ 0.15
January 31, 2022	\$ 0.45	\$ 0.23
October 31, 2021	\$ 0.59	\$ 0.27
July 31, 2021	\$ 0.55	\$ 0.30
April 30, 2021	\$ 1.00	\$ 0.38
January 31, 2021	\$ 0.76	\$ 0.22
October 31, 2020	\$ 0.44	\$ 0.16
July 31, 2020	\$ 0.49	\$ 0.21

In addition, shares of our common stock have been listed on the Canadian Securities Exchange (the "CSE") since December 22, 2011, initially under the symbol under the symbol "DEP" (until December 6, 2017) and now under the symbol "BAMM" (since December 7, 2017). The following table sets forth the high and low sales prices of our common stock on a quarterly basis for the periods indicated as quoted by the CSE.

Quarter Ended	High	Low
July 31, 2022	CAD\$ 0.24	CAD\$ 0.12
April 30, 2022	CAD\$ 0.35	CAD\$ 0.15
January 31, 2022	CAD\$ 0.56	CAD\$ 0.28
October 31, 2021	CAD\$ 0.74	CAD\$ 0.40
July 31, 2021	CAD\$ 0.63	CAD\$ 0.375
April 30, 2021	CAD\$ 1.14	CAD\$ 0.48
January 31, 2021	CAD\$ 0.98	CAD\$ 0.335
October 31, 2020	CAD\$ 0.52	CAD\$ 0.275
July 31, 2020	CAD\$ 0.68	CAD\$ 0.29

On January 11, 2023 the last reported sale price of our common stock on the OTCQB was \$0.0573 per share and the last reported sale price of our common stock on the CSE was CAD\$0.08 per share.

Transfer Agent for Common Shares

The Registrar and Transfer Agent for our Common Shares is New Horizons Transfer located at 215 – 515 W Pender Street, Vancouver, British Columbia, Canada V6B 6H5.

Options

We have a 10% rolling stock option plan for its directors, employees and consultants to acquire our common shares at a price determined by the fair market value of our shares at the date of grant. Our stock option plan provides for immediate vesting or vesting at the discretion of our board of directors at the time of the option grant.

As of July 31, 2022, we have 9,453,000 stock options outstanding which are exercisable into 9,453,000 Common Shares, subject to vesting provisions.

Warrants

As of July 31, 2022, we had 18,215,284 common share purchase warrants outstanding which are exercisable into 18,215,284 Common Shares. 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.

Holders of Common Shares

As of January 13, 2023, we had 200 shareholders of record, which does not include shareholders whose shares are held in street or nominee names, if any.

Dividends

We have not paid dividends or made distributions on our Common Shares during the past three fiscal years and through the date of this Annual Report. We have no present intention of paying dividends in the near future. We will pay dividends when, and if declared by our board of directors. We expect to pay dividends only out of retained earnings in the event that we do not require our retained earnings for operations and reserves. There are no restrictions in our articles of incorporation or bylaws that prevent us from declaring dividends, but Nevada corporate law prohibits us from declaring and paying dividends if after doing so we would not be able to pay our debts as they become due in the usual course of business, or our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the rights of shareholders who have preferential rights superior to those receiving the distribution. We have no shares with preferential dividend and distribution rights authorized or outstanding.

Securities Authorized for Issuance under Equity Compensation Plans

The following table shows our equity securities that are authorized for issuance pursuant to equity compensation plans for our most recently completed financial year ended July 31, 2022.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	9,453,000	CAD\$0.67	1,913,861
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	9,453,000	CAD\$0.67	1,913,861

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On November 23, 2017, our board of directors ratified our 2012 Incentive Stock Option Plan (the “**Body and Mind Option Plan**”). The purpose of the Body and Mind Option Plan is to enhance the long-term shareholder value of Body and Mind by offering opportunities to directors, executive officers, key employees and eligible consultants of Body and Mind to acquire Body and Mind Common Shares in order to give these persons the opportunity to participate in Body and Mind’s growth and success, and to encourage them to remain in the service of Body and Mind.

On November 24, 2017, we issued an aggregate of 3,850,000 stock options in accordance with our stock option plan at an exercise price of CAD\$0.66 per share for a five-year term expiring November 24, 2022, of which there are currently only 1,900,000 stock options outstanding from such grant of stock options. The options were granted to officers, directors and consultants of the Company. During the year ended July 31, 2020, the Company cancelled 950,000 stock options due to forfeiture. During the year ended July 31, 2022, the Company cancelled 1,000,000 stock options due to forfeiture.

On November 30, 2021, the Company issued 200,000 stock options with an exercise price of CAD\$0.44 per share for a term of three years expiring on November 30, 2024.

On June 6, 2018, we granted 175,000 stock options in accordance with our stock option plan at an exercise price of CAD\$0.41 per common share for a five-year term expiring June 6, 2023 to a consultant of the Company.

On December 11, 2018, the Company issued 2,050,000 stock options in accordance with the Company’s stock option plan at an exercise price of CAD\$0.57 per share for a five-year term expiring December 10, 2023, of which there are currently only 775,000 stock options outstanding from such grant of stock options. The options were granted to current directors, officers, employees and consultants of the Company. During the year ended July 31, 2021, the Company cancelled 50,000 stock options (2020 - 525,000 stock options) in this series due to forfeiture. A total of 700,000 stock options were exercised during the year ended July 31, 2021.

On August 21, 2019, the Company issued 2,850,000 stock options with an exercise price of CAD\$0.88 per share for a term of five years expiring on August 21, 2024, of which there are currently only 1,850,000 stock options outstanding from such grant of stock options. The options are subject to vesting provisions such that 25% of the options vest six months from the date of grant, 25% of the options vest twelve months from the date of grant, 25% of the options vest eighteen months from the date of grant and 25% of the options vest twenty-four months from the date of grant. During the year ended 31 July 2021, the Company cancelled 50,000 stock options (2020 - 950,000 stock options) in this series due to forfeiture.

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On October 1, 2019, the Company issued 250,000 stock options with an exercise price of CAD\$0.93 per share for a term of five years expiring on October 1, 2024. The options are subject to vesting provisions such that 25% of the options vest six months from the date of grant, 25% of the options vest twelve months from the date of grant, 25% of the options vest eighteen months from the date of grant and 25% of the options vest twenty-four months from the date of grant.

On January 23, 2020, the Company issued 200,000 stock options with an exercise price of CAD\$0.88 per share for a term of five years expiring on January 23, 2025. The options are subject to vesting provisions such that 25% of the options vest six months from the date of grant, 25% of the options vest twelve months from the date of grant, 25% of the options vest eighteen months from the date of grant and 25% of the options vest twenty-four months from the date of grant.

On March 1, 2020, the Company issued 250,000 stock options with an exercise price of CAD\$0.41 per share for a term of five years expiring on March 1, 2025. The options are subject to vesting provisions such that 25% of the options vest six months from the date of grant, 25% of the options vest twelve months from the date of grant, 25% of the options vest eighteen months from the date of grant and 25% of the options vest twenty-four months from the date of grant.

On April 30, 2020, the Company issued 1,375,000 stock options with an exercise price of CAD\$0.67 per share for a term of five years expiring on April 30, 2025. The options are subject to vesting provisions such that 25% of the options vest six months from the date of grant, 25% of the options vest twelve months from the date of grant, 25% of the options vest eighteen months from the date of grant and 25% of the options vest twenty-four months from the date of grant.

On July 7, 2020, the Company cancelled 350,000 stock options with an exercise price of CAD\$0.88 per share, 80,000 stock options with an exercise price of CAD\$0.57 per share and 150,000 stock options with an exercise price of CAD\$0.57. Subsequently, the Company issued replacement stock options of 350,000 stock options with an exercise price of CAD\$0.88 per share, 80,000 stock options with an exercise price of CAD\$0.57 per share and 150,000 stock options with an exercise price of CAD\$0.61 under the same vesting provisions and expiry dates as the original stock options.

On March 6, 2021, the Company issued 1,250,000 stock options with an exercise price of CAD\$0.68 per share for a term of five years expiring on March 6, 2026. The options are subject to vesting provisions such that 25% of the options vest six months from the date of grant, 25% of the options vest twelve months from the date of grant, 25% of the options vest eighteen months from the date of grant and 25% of the options vest twenty-four months from the date of grant.

On April 5, 2021, the Company issued 250,000 stock options with an exercise price of CAD\$0.65 per share for a term of five years expiring on April 5, 2026. The options are subject to vesting provisions such that 25% of the options vest three months from the date of grant, 25% of the options vest six months from the date of grant, 25% of the options vest nine months from the date of grant and 25% of the options vest twelve months from the date of grant.

On November 30, 2021, the Company issued 448,000 stock options with an exercise price of CAD\$0.44 per share for a term of five years expiring on November 30, 2026. The options were granted to current directors and officers of the Company. The options are subject to vesting provisions such that 25% of the options vest 6 months from the date of grant, 25% of the options vest 12 months from the date of grant, 25% of the options vest 18 months from the date of grant and 25% of the options vest 24 months from the date of grant.

On November 30, 2021, the Company issued 200,000 stock options with an exercise price of CAD\$0.44 per share for a term of three years expiring on November 30, 2024.

On July 8, 2022, the Company issued 200,000 stock options with an exercise price of CAD\$0.15 per share for a term of five years expiring on July 8, 2027.

The Body and Mind Option Plan is subject to the following restrictions:

- (a) Unless authorized by the shareholders options granted under the Body and Mind Option Plan, shall not result, at any time, in the number of Body and Mind Common Shares reserved for issuance pursuant to options exceeding 10% of the issued and outstanding Body and Mind Common Shares as at the date of grant of any option under the Body and Mind Option Plan.
- (b) The aggregate number of Body and Mind Common Shares subject to an option that may be granted to any one individual in any 12-month period under the Body and Mind Option Plan shall not exceed 5% of the issued and outstanding Body and Mind Common Shares determined at the time of such grant.
- (c) The aggregate number of Body and Mind Common Shares subject to an option that may be granted to any one Consultant in any 12-month period under the Body and Mind Option Plan shall not exceed 2% of the issued and outstanding Body and Mind Common Shares determined at the time of such grant.
- (d) The aggregate number of Body and Mind Common Shares subject to an option that may be granted to any one person conducting Investor Relations Activities in any 12-month period under the Body and Mind Option Plan shall not exceed 2% of the issued and outstanding Body and Mind Common Shares determined at the time of such grant.

Recent Sales of Unregistered Securities

On July 8, 2022, we issued 200,000 stock options with an exercise price of CAD\$0.15 per share for a term of five years expiring on July 8, 2027 in connection with the acquisition of Canopy. We relied upon the exemption from registration under the U.S. Securities Act provided by Regulation S for the non-U.S. consultant.

On July 15, 2022, we issued 319,149 shares of our common stock to Kendall Properties, LLC for the leased premises in Muskegon, Michigan (the "Muskegon Lease"). The shares were issued at a deemed price of \$0.235 per share based on the terms and conditions of the Muskegon Lease. We relied upon the exemption from the registration under the U.S. Securities Act provided by Rule 506(b) of Regulation D and/or Section 4(a)(2) of the U.S. Securities Act with respect to the issuance of the shares.

On December 7, 2022, we issued 16,301,694 shares of common stock at a deemed price of US\$0.134 per share in accordance with MIPA #1, as amended, and MIPA #2, as amended, to acquire 100% of Canopy. We relied upon the exemption from the registration requirements under the U.S. Securities Act provided by Rule 506(b) of Regulation D and/or Section 4(a)(2) of the U.S. Securities Act for the issuance of such shares.

On December 19, 2022, we issued unsecured five-year convertible debentures in the aggregate principal amount of \$3,000,000, which bear interest at a rate of 8% per annum, compounded annually, commencing from the date of issuance to three investors, and which investors may convert all or any portion of the principal amount and/or interest amount, into shares of common stock at \$0.10 per share. In addition, we issued common stock purchase warrants to the three investors to acquire up to an aggregate of 15,000,000 shares of common stock until December 19, 2026, at an exercise price of \$0.10 per share. We relied upon the exemption from the registration under the U.S. Securities Act provided by Rule 506(b) of Regulation D and/or Section 4(a)(2) of the U.S. Securities Act with respect to the issuance of the debentures and the warrants.

On December 21, 2022, pursuant to the closing of the Merger Agreement, we issued an aggregate of 16,666,667 shares of common stock to eight individuals and one entity at a deemed price of CAD\$0.08 per share. We relied upon the exemption from the registration under the U.S. Securities Act provided by Rule 506(b) of Regulation D and/or Section 4(a)(2) of the U.S. Securities Act with respect to the issuance of the shares.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of the Company's financial condition and results of operations contain forward-looking statements that involve risks, uncertainties and assumptions including, among others, statements regarding our capital needs, business plans and expectations. In evaluating these statements, you should consider various factors, including the risks, uncertainties and assumptions set forth in reports and other documents we have filed with or furnished to the SEC and, including, without limitation, this Annual Report on Form 10-K filing for the fiscal year ended July 31, 2022, including the consolidated financial statements and related notes contained herein. 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" and Item 1A. Risk Factors.

Introduction

The following discussion summarizes the results of operations for each of our fiscal years ended July 31, 2022 and 2021 and our financial condition as at July 31, 2022 and 2021, with a particular emphasis on fiscal 2022, our most recently completed fiscal year.

Overview

Our business is the production and cultivation of medical and recreational marijuana in Nevada pursuant to licenses held by NMG operating under the marquee brand name of Body & Mind and produces flower, oil, extracts and edibles and are available for sale in dispensaries in Nevada. In addition, we have retail / dispensary operations in Ohio, California, Michigan and Arkansas, and wholesale operations in Ohio and Arkansas that produce flower and/or concentrates from extraction.

Results of Operations for the years ended July 31, 2022 and 2021

The following table sets forth our results of operations for the fiscal years ended July 31, 2022 and 2021:

	July 31, 2022	July 31, 2021
	\$	\$
Sales	31,638,163	26,900,869
Cost of sales and other	(20,694,217)	(14,910,660)
General and Administrative Expenses	(14,463,446)	(11,402,882)
Other Items	(22,115,439)	(397,079)
Net Loss	(28,228,104)	(1,976,461)
Foreign Currency Translation Adjustment	96,380	395,945
Comprehensive Loss	(28,131,724)	(1,580,516)
Basic and Diluted Loss Per Share	(0.25)	(0.02)

Revenues

For the year ended July 31, 2022, we had total sales of \$31,638,163 and cost of sales of \$20,694,217 for a gross margin of \$10,943,946 compared to total sales of \$26,900,869 and cost of sales of \$14,910,660 for a gross margin of \$11,990,209 in the year ended July 31, 2021. During the year ended July 31, 2022, the Company recorded product sales as follows:

Revenues – By Segment	Year ended July 31, 2022	
	\$	%
Wholesale	5,324,803	17%
Retail	26,313,360	83%
Total	31,638,163	

[Table of Contents](#)[Operating Expenses](#)

For the year ended July 31, 2022, general and administrative expenses totaled \$14,463,446 compared with \$11,402,882 for the year ended July 31, 2021. A significant reason for the increase in general and administrative expenses between the years related to increased depreciation from \$1,457,550 to \$1,490,516, license, utilities and office administration from \$2,938,525 to \$4,627,009, business development expense from \$282,865 to \$669,471 and consulting fees from \$537,760 to \$967,860 as a result of various ongoing acquisitions and expansions. Lease expense increased from \$431,427 to \$856,697 as a result of additional leased premises in Michigan, California, and Nevada. Salaries and wages increased from \$3,400,472 to \$3,907,971 as a result of increased operations in all regions including the total number of employees under payroll.

[Income Taxes](#)

The (benefit) expense for income taxes consists of the following:

	<u>2022</u>	<u>2021</u>
Current:		
Federal	\$ 2,277,868	\$ 2,281,497
State	85,867	99,322
	<u>2,363,735</u>	<u>2,380,819</u>
Deferred:		
Federal	6,598	(214,352)
State	222,832	242
	<u>229,430</u>	<u>(214,110)</u>
Total (benefit) expense for income taxes	<u>\$ 2,593,165</u>	<u>\$ 2,166,709</u>

Section 280E of the Internal Revenue Code ("IRC") prohibits businesses engaged in the trafficking of Schedule I or Schedule II controlled substances from deducting normal business expenses, such as payroll and rent, from gross income (revenue less cost of goods sold). Section 280E was originally intended to penalize criminal market operators, but because cannabis remains a Schedule I controlled substance for U.S. Federal purposes, the Internal Revenue Service (the "IRS") has subsequently applied Section 280E to state-legal cannabis businesses. Cannabis businesses operating in states that align their tax codes with the IRC are also unable to deduct normal business expenses from their state taxes. The nondeductible expenses shown in the effective rate reconciliation above is comprised primarily of the impact of applying Section 280E to the Company's businesses that are involved in selling cannabis, along with other typical non-deductible expenses such as lobbying expenses.

	<u>2022</u>	<u>2021</u>
Net loss for the year before income tax	\$ (25,634,939)	\$ (190,248)
Federal and state income tax rates	21.00%	21.00%
Expected income tax recovery	(5,383,335)	39,951
IRC 280E disallowance	8,208,764	1,935,581
Stock options	118,816	243,829
Impairment of consolidated investment	-	176,816
Other permanent differences	(78,052)	(82,301)
Opening deferred tax adjustments	(602,555)	(284,621)
State taxes	(394,760)	7,598
Change in benefit not recognized	<u>724,287</u>	<u>129,856</u>
Total income tax expense	<u>\$ 2,593,165</u>	<u>\$ 2,166,709</u>

The impact of the loss on impairment of goodwill, intangible assets, ROU assets, and loans receivable in the aggregate amount of \$20,517,192 is included in the IRC 280E disallowance for 2022. Approximately \$4.3 million was included in the IRC 280E disallowance for the year ended July 31, 2022 related to the impairment losses.

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Other Items

During the year ended July 31, 2022, our other items accounted for \$22,115,439 in expenses as compared to \$397,079 in expenses for the year ended July 31, 2021. The significant components in other items primarily relates to the Company's impairment loss on brand, licenses, goodwill and right-of-use assets in Manistee, Michigan for a combined total of \$20,517,192. In 2021, the Company also recognized impairment loss of \$592,547 related to its investments in NMG Ohio and GLDH. The Company also recorded a loss on settlement of \$503,179 related to Canopy shares and a gain on settlement of \$43,178 related to Michigan lease milestone shares, for a net loss of \$460,001. Interest expense increased to \$1,372,208 from \$53,394 as a result of the loan obtained from FG Agency Lending LLC and Bomind Holdings LLC being outstanding for the entire year and an increase in interest rate on the loan from 13% to 15% pursuant to the amendment.

Net Loss

Net loss for the year ended July 31, 2022 totaled \$28,228,104 compared with a net loss of \$1,976,461 for the year ended July 31, 2021. The increase in net loss of \$26,251,643 is largely due to the impairment loss on right-of-use assets, brand, licenses and goodwill totaling \$20,517,192 as discussed above and the increase in interest expense.

Other Comprehensive Income (Loss)

We recorded translation adjustments gain of \$96,380 and \$395,945 for the year ended July 31, 2022 and 2021, respectively. The amounts are included in the statement of operations as other comprehensive income(loss) for the respective years.

Liquidity and Capital Resources

The following table sets out our cash and working capital as of July 31, 2022 and 2021:

	<u>As of</u> <u>July 31,</u> <u>2022</u>	<u>As of</u> <u>July 31,</u> <u>2021</u>
Cash reserves	\$ 1,854,277	\$ 7,374,194
Working capital	\$ 1,380,421	\$ 8,819,840

Financings

There has been no equity financing during the year ended July 31, 2022. There was a loan repayment in the amount of \$26,533, net, for the year ended July 31, 2022.

During the year ended July 31, 2021, the Company issued 700,000 common shares upon exercise of 700,000 stock option awards with an exercise price of CAD\$0.57 per common share for proceeds of \$313,415 (CAD\$399,000) and obtained a loan for a net amount of \$5,852,311.

Statement of Cashflows

During the year ended July 31, 2022, our net cash decreased by \$5,519,917 (2021: increase of \$6,022,064), which included net cash used in operating activities of \$3,444,278 (2021: provided \$294,965), net cash used in investing activities of \$2,145,486 (2021: \$831,997), net cash used in financing activities of \$26,533 (2021: provided \$6,165,726) and effect of exchange rate changes on cash and cash equivalents of \$96,380 (2021: 393,370).

Cash Flow used in Operating Activities

Cash flow used in operating activities totaled \$3,444,278 during the year ended July 31, 2022 and cash provided by operating activities totaled \$294,965 during the year ended July 31, 2021. Significant changes in cash used in operating activities are outlined as follows:

- The Company incurred a net loss from operations of \$28,228,104 during the year ended July 31, 2022 compared to \$1,976,461 in 2021. The net loss in 2022 included, among other things, non-cash depreciation of \$969,157 (2021: \$765,857), accrued interest and accretion of \$1,035,592 (2021: \$15,474), amortization of right-of-use assets of \$517,163 (2021: \$431,427), amortization of licenses of \$1,266,753 (2021: \$1,122,415), equity-method investment change from earnings of \$Nil (2021: \$13,219), impairment loss on its assets of \$20,517,192 (2021: \$592,747), and stock-based compensation of \$435,266 (2021: \$975,555).

The following non-cash items further adjusted the loss for the year ended July 31, 2022 and 2021:

- Decrease in amounts receivable and prepaid of \$1,009,578 (2021: increase of \$528,364), increase in inventory of \$291,168 (2020: \$809,491), increase in deposits of \$113,828 (2021: \$Nil), increase in trade payables and accrued liabilities of \$653,068 (2021: decrease of \$194,328), decrease in lease liabilities of \$871,407 (2021: \$536,985), decrease in income taxes payable of \$843,329 (2021: increase of \$1,798,668), increase in due to related parties of \$111,788 (2021: decrease of \$3,439), and net increase in loan due from NMG Ohio of \$Nil (2021: \$891,279).

Cash Flow used in Investing Activities

During the year ended July 31, 2022, investing activities used cash of \$2,145,486 compared to \$831,997 during the year ended July 31, 2021. The change in cash used in investing activities from the year ended July 31, 2022 relates primarily to investment in Canopy of \$871,497, net of cash received (2021: \$Nil), additional property and equipment of \$828,406 (2021: \$402,459), and a loan of \$391,168 (2021: \$358,553) to CCG in Arkansas.

Cash Flow provided by Financing Activities

During the year ended July 31, 2022, financing activities used cash of \$26,533 compared to \$6,165,726 during the year ended July 31, 2021. In 2022, the Company repaid \$26,533 for its outstanding loans payable.

During the year ended July 31, 2021, the Company issued 700,000 common shares for proceeds of \$313,415 related to the exercise of 700,000 options. During the year ended July 31, 2021, the Company received \$6,666,666 initial loan (\$5,852,311 after the 10% origination discount and other fees). See Loan Agreement section under Material Contracts.

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.

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.

Outstanding share data

At January 13, 2023, we had 146,636,974 issued and outstanding common shares, 7,553,000 outstanding stock options and 21,415,284 outstanding warrants. The outstanding warrant 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.

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.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. ASU 2021-08 requires the recognition and measurement of contract assets and contract liabilities acquired in a business combination in accordance with ASC 606, Revenue from Contracts with Customers. Considerations to determine the amount of contract assets and contract liabilities to record at the acquisition date include the terms of the acquired contract, such as timing of payment, identification of each performance obligation in the contract and allocation of the contract transaction price to each identified performance obligation on a relative standalone selling price basis as of contract inception. ASU 2021-08 is effective for the Company beginning in the first quarter of 2023. ASU 2021-08 should be applied prospectively for acquisitions occurring on or after the effective date of the amendments. Early adoption of the proposed amendments would be permitted, including adoption in an interim period. The Company does not anticipate this amendment to have a significant impact on the consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Management of financial risks

The financial risk arising from the Company's operations are credit risk, liquidity risk, interest rate risk and currency risk.

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

- Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company reduces its exposure to credit risk by maintaining its cash with major financial institutions. Credit risk associated with the convertible loans receivable arises from the possibility that the principal and/or interest due may become uncollectible. The Company mitigates this risk by managing and monitoring the underlying business relationship. The Company is not currently exposed to any significant credit risk associated with its trade receivable.

- Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company had working capital of \$1,380,421 as at July 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

BODY AND MIND INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended 31 July 2022 and 2021

(Expressed in U.S. Dollars)

BODY AND MIND INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Body and Mind Inc.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Body and Mind Inc. (“the Company”) as of July 31, 2022 and 2021, the related consolidated statements of operations and comprehensive loss, changes in stockholders’ equity, and cash flows for each of the years in the two-year period ended July 31, 2022 and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of July 31, 2022, and the results of its operations and its cash flows for each of the years in the two-year period ended July 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) related to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgements. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Business Combinations

Description of the Critical Audit Matter

As described in note 11 to the consolidated financial statements, the Company completed an acquisition wherein the Company acquired certain net assets from one entity for total consideration of approximately \$5.8 million. The acquisition was accounted for as a business combination using the acquisition method of accounting which requires the determination of the fair value of the consideration transferred, assets acquired, and liabilities assumed. The Company utilized a third-party valuation specialist to assist in the determining the fair value of assets acquired, and liabilities assumed. The Company determined it acquired intangible assets (dispensary licenses and tradenames) with a fair value of approximately \$1.2 million and recorded goodwill of approximately \$4.8 million. The dispensary license was valued using the multi-period excess earnings model and trade names were valued using the relief-from-royalty method.

The recognition, measurement, and disclosure of the Company’s business combinations in the financial statements were considered especially challenging and required significant auditor judgment due to the complex determination by management of the appropriate assumptions, such as discount rates, revenue growth rates, and projected profit margins, for the valuation of acquired net assets and expected probabilities of key outcomes. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the following:

- Testing management’s process for developing the respective fair value estimates for intangible assets.
- Evaluating management’s and the valuation specialist’s identification of assets acquired and liabilities assumed.
- Evaluating the appropriateness of the valuation models used by the third-party specialist.
- Testing the completeness and accuracy of underlying data provided to the specialist by management and used in the fair value estimates.
- Evaluating the significant assumptions used related to sales growth, discount rates, gross profit margins, contributory asset charges, tax rate and useful lives to discern whether they are reasonable considering (i) the current and past performance of the entity; (ii) the consistency with external market and industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit.
- Evaluated the qualifications of the third-party firm engaged by the Company based on their credentials and experience.
- Evaluated the accuracy and completeness of the financial statement presentation and disclosure of the acquisitions.

Professionals with specialized skill and knowledge were utilized by the Firm to assist in the evaluation of the valuation models and discount rate assumptions.

Goodwill Impairment Assessment

Description of the Critical Auditing Matter

As described in note 12 to the consolidated financial statements, the Company tests goodwill for impairment annually at the reporting unit level, or more frequently if events or circumstances indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Reporting units are tested for impairment by comparing the estimated fair value of each reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds its estimated fair value, an impairment loss is recorded based on the difference between the fair value and carrying amount, not to exceed the associated carrying amount of goodwill. The Company’s annual impairment test occurred on July 31, 2022. The Company utilized a third-party valuation specialist to assist in the determining the fair value of each reporting unit. The valuation specialist primarily used a discounted cash flow income method to estimate the fair value of the reporting unit.

We identified the evaluation of the impairment analysis for goodwill as a critical audit matter because of the significant estimates and assumptions management used in the discounted cash flow analysis performed by the valuation specialist to determine fair value of the reporting unit. Performing audit procedures to evaluate the reasonableness of these estimates and assumptions required a high degree of auditor judgment and an increased extent of effort. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

How the Critical Audit Matter was Addressed in the Audit

Our audit procedures related to the following:

- Testing management's processes for estimating the fair value of the reporting unit.
- Evaluating the appropriateness of the discounted cash flow models utilized by the Company for the respective impairment analyses.
- Testing the completeness and accuracy of underlying data used in the discounted cash flow models.
- Evaluating the significant assumptions provided by management related to revenues, EBITDA, long term growth rates to discern whether they are reasonable considering (i) the current and past performance of the entity; (ii) the consistency with external market and industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit.
- Evaluate assumptions developed by the valuation specialist, such as discount rates, net working capital needs and long-term growth rates, for reasonableness.

In addition, professionals with specialized skill and knowledge were utilized by the Firm to assist in the evaluation of the discounted cash flow model, discount rate assumptions and market method approaches.

Indefinite Lived Intangible Asset Impairment Assessment

Description of the Critical Auditing Matter

As described in note 12, the Company has two indefinite lived intangible assets (license and brand). Further, as described in note 12 to the consolidated financial statements, the Company tests indefinite lived intangible assets for impairment annually, or more frequently if events or circumstances indicate it is more likely than not that the fair value of the indefinite lived intangible asset is less than its carrying amount. Indefinitely lived intangible assets are tested for impairment by comparing the estimated fair value of such asset with its carrying amount. If the carrying exceeds its estimated fair value, an impairment loss is recorded based on the difference between the fair value and carrying amount. The Company performed an impairment analysis on July 31, 2022, on its license and brand indefinite lived intangible assets. The Company utilized a third-party valuation specialist to assist in the determining the fair value of each indefinite lived intangible asset. The valuation specialist primarily used a discounted cash flow income method to estimate the fair value of these assets.

We identified the evaluation of the impairment analysis for these indefinite lived intangible assets as a critical audit matter because of the significant estimates and assumptions used in the discounted cash flow analysis performed by the valuation specialist to determine fair value of such assets. Performing audit procedures to evaluate the reasonableness of these estimates and assumptions required a high degree of auditor judgment and an increased extent of effort. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

How the Critical Audit Matter was Addressed in the Audit

Our audit procedures related to the following:

- Testing management's processes for estimating the fair value of the indefinite lived intangible assets.
- Evaluating the appropriateness of the discounted cash flow models utilized by the Company for the respective impairment analyses.
- Testing the completeness and accuracy of underlying data used in the discounted cash flow models.
- Evaluating the significant assumptions provided by management related to revenues, EBITDA, long term growth rates to discern whether they are reasonable considering (i) the current and past performance of the entity; (ii) the consistency with external market and industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit.
- Evaluate assumptions developed by the valuation specialist, such as discount rates, contributory asset charges and long-term growth rates, for reasonableness.

In addition, professionals with specialized skill and knowledge were utilized by the Firm to assist in the evaluation of the discounted cash flow model, discount rate assumptions and market method approaches.

/s/ Sadler, Gibb & Associates, LLC

We have served as the Company's auditor since 2021.

Draper, UT
January 17, 2023

Consolidated Balance Sheets

(U.S. Dollars)

	As of 31 July 2022	As of 31 July 2021
ASSETS		
Current		
Cash	\$ 1,854,277	\$ 7,374,194
Amounts receivable, net	475,578	1,544,957
Interest receivable on convertible loan (Note 6)	222,000	150,000
Prepaid expenses	775,701	413,246
Inventory (Note 5)	3,880,000	2,936,156
Convertible loan receivable (Note 6)	-	1,250,000
Other loans receivable (Note 7)	789,984	638,650
Total Current Assets	7,997,540	14,307,203
Deposit	113,828	470,546
Loan receivable from NMG Ohio LLC (Note 8)	-	891,279
Convertible loan receivable (Note 6)	1,250,000	-
Property and Equipment, net (Note 10)	5,640,534	4,893,790
Operating lease right-of-use assets (Note 15)	4,162,647	2,539,023
Brand and Licenses, net (Note 12)	11,861,315	19,855,068
Goodwill, net (Note 12)	-	5,168,902
TOTAL ASSETS	\$ 31,025,864	\$ 48,125,811
LIABILITIES		
Current		
Accounts payable	\$ 2,489,353	\$ 1,686,376
Accrued liabilities	325,385	105,538
Income taxes payable	3,021,539	2,865,086
Due to related parties (Note 13)	163,862	52,074
Loan payable (Note 14)	12,535	16,874
Current portion of operating lease liabilities (Note 15)	604,445	761,415
Total Current Liabilities	6,617,119	5,487,363
Long-term operating Lease Liabilities (Note 15)	5,514,928	2,323,525
Loans payable (Note 14)	7,393,636	4,798,871
Income taxes payable	966,992	966,992
Deferred Tax Liability	427,770	198,339
TOTAL LIABILITIES	20,920,445	13,775,090
STOCKHOLDERS' EQUITY		
Capital Stock— Statement 3 (Note 16)		
Authorized:		
900,000,000 Common Shares – Par Value \$0.0001		
Issued and Outstanding:		
113,668,613 (2021–109,077,778) Common Shares	11,366	10,907
Additional Paid-in Capital	52,344,573	50,312,013
Shares to be Issued	1,853,403	-
Other Comprehensive Income	1,224,093	1,127,713
Accumulated Deficit	(45,803,026)	(17,126,510)
TOTAL STOCKHOLDERS' EQUITY ATTRIBUTABLE TO BAM STOCKHOLDERS	9,630,409	34,324,123
NON-CONTROLLING INTEREST	475,010	26,598
TOTAL EQUITY	10,105,419	34,350,721
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 31,025,864	\$ 48,125,811

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

Consolidated Statements of Operations and Comprehensive Loss
(U.S. Dollars)

	Years Ended 31 July	
	2022	2021
Sales	\$ 31,638,163	\$ 26,900,869
Cost of sales	(20,694,217)	(14,910,660)
Gross profit	<u>10,943,946</u>	<u>11,990,209</u>
Operating Expenses		
Accounting and legal	948,719	973,594
Business development	669,471	282,865
Consulting fees	967,860	537,760
Depreciation and amortization	1,490,516	1,457,550
Lease expense	856,697	431,427
Licenses, utilities and office administration	4,627,009	2,938,525
Management fees (Note 13)	559,937	405,134
Salaries and wages	4,343,237	4,376,027
Total Operating Expenses	<u>(14,463,446)</u>	<u>(11,402,882)</u>
Net Operating Income (Loss)	<u>(3,519,500)</u>	<u>587,327</u>
Other Income (Expenses)		
Foreign exchange, net	323	235
Interest expense	(1,372,208)	(53,394)
Interest income	72,000	163,558
Loss on impairment (Notes 12 and 15)	(20,517,192)	(592,547)
Loss on settlement (Note 21)	(460,001)	-
Other income (expenses)	161,639	(95,416)
Gain on bargain purchase (Note 11)	-	167,266
Equity-method investment change from earnings (Note 8)	-	13,219
Total Other Expenses	<u>(22,115,439)</u>	<u>(397,079)</u>
Net Income (Loss) Before Income Tax	\$ (25,634,939)	\$ 190,248
Income tax expense	(2,593,165)	(2,166,709)
Net Loss	<u>(28,228,104)</u>	<u>(1,976,461)</u>
Other Comprehensive Income (Loss)		
Foreign currency translation adjustment	96,380	395,945
Comprehensive Loss	<u>\$ (28,131,724)</u>	<u>\$ (1,580,516)</u>
Net income (loss) attributable to:		
Body and Mind Inc.	(28,676,516)	(2,260,902)
Non-controlling interest	448,412	284,441
Comprehensive income (loss) attributable to:		
Body and Mind Inc.	(28,580,136)	(1,864,957)
Non-controlling interest	448,412	284,441
Loss per Share – Basic and Diluted	<u>\$ (0.25)</u>	<u>\$ (0.02)</u>
Weighted Average Number of Shares Outstanding	<u>112,209,254</u>	<u>108,463,019</u>

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

Consolidated Statements of Changes in Stockholders' Equity

(U.S. Dollars)

	Common Shares		Additional paid-in capital	Shares to be issued	Other comprehensive income	Accumulative Deficit	Non- controlling interest	Total
	Number	Amount						
Balance – 31 July 2021	109,077,778	10,907	50,312,013	-	1,127,713	(17,126,510)	26,598	34,350,721
Common stock issued in acquisition of Canopy (Note 11)	2,728,156	273	939,047	1,853,403	-	-	-	2,792,723
Common stock issued for operating leases (Note 15)	1,862,679	186	578,662	-	-	-	-	578,848
Warrants issued for loan amendment (Note 14)	-	-	79,585	-	-	-	-	79,585
Stock-based compensation (Note 16)	-	-	435,266	-	-	-	-	435,266
Foreign currency translation adjustment	-	-	-	-	96,380	-	-	96,380
Loss for the year	-	-	-	-	-	(28,676,516)	448,412	(28,228,104)
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
Balance – 31 July 2020	107,513,812	10,751	47,665,678	19,703	731,768	(14,865,608)	(257,843)	33,304,449
Common stock issued in acquisition of NMG Ohio LLC (Note 8)	793,466	79	296,963	-	-	-	-	297,042
Exercise of options (Note 16)	700,000	70	316,975	-	-	-	-	317,045
Escrow release	70,500	7	19,696	(19,703)	-	-	-	-
Warrants issued with debt (Note 14)	-	-	1,037,146	-	-	-	-	1,037,146
Stock-based compensation (Note 16)	-	-	975,555	-	-	-	-	975,555
Foreign currency translation adjustment	-	-	-	-	395,945	-	-	395,945
Loss for the year	-	-	-	-	-	(2,260,902)	284,441	(1,976,461)
Balance – 31 July 2021	109,077,778	10,907	50,312,013	-	1,127,713	(17,126,510)	26,598	34,350,721

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

Consolidated Statements of Cash Flows

(U.S. Dollars)

Cash Resources Provided By (Used In)	Years Ended 31 July	
	2022	2021
Operating Activities		
Net loss for the year	\$ (28,228,104)	\$ (1,976,461)
Items not affecting cash:		
Accrued interest and accretion	1,035,592	15,474
Accrued interest income	(72,000)	(72,000)
Amortization of intangible assets	1,266,753	1,122,415
Amortization of operating lease ROU assets	517,163	431,427
Bargain purchase	-	(167,266)
Deferred tax expense (benefit)	229,431	(214,110)
Depreciation	969,157	765,857
Foreign exchange	-	(236)
Equity-method investment change from earnings	-	(13,219)
Impairment loss	20,517,192	592,747
Loss on settlement of contingent consideration	503,179	-
Gain on settlement of lease liabilities	(43,178)	-
Stock-based compensation	435,266	975,555
Amounts receivable and prepaids	1,009,578	(528,364)
Inventory	(291,168)	(809,491)
Deposits	(113,828)	-
Trade payables and accrued liabilities	653,068	(194,328)
Income taxes payable	(1,072,760)	1,798,668
Due to related parties	111,788	(3,439)
Lease liabilities	(871,407)	(536,985)
Loan to NMG Ohio LLC	-	(891,279)
Cash provided by (used in) operating activities	(3,444,278)	294,965
Investing Activities		
Investment in NMG Ohio, LLC, net of cash received	(54,415)	(136,325)
Investment in GLDH, net of cash received	-	65,340
Acquisition of Canopy, net of cash received	(871,497)	-
Purchase of property and equipment	(828,406)	(402,459)
Loan receivable	(391,168)	(358,553)
Cash used in investing activities	(2,145,486)	(831,997)
Financing Activities		
Issuance of shares, net of share issue costs	-	313,415
Proceeds from (repayment of) loans payable, net	(26,533)	5,852,311
Cash provided by financing activities	(26,533)	6,165,726
Effect of exchange rate changes on cash	96,380	393,370
Net Increase (Decrease) in Cash	(5,519,917)	6,022,064
Cash- Beginning of Year	7,374,194	1,352,130
Cash- End of Year	\$ 1,854,277	\$ 7,374,194

Supplemental Disclosures with Respect to Cash Flows (Note 18)

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

Body and Mind Inc.**Notes to Consolidated Financial Statements
For the year ended 31 July 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 15 September 2010, the Company incorporated a wholly-owned subsidiary, Deploy Acquisition Corp. (“Deploy”) under the laws of the State of Nevada, USA. On 17 September 2010, the Company merged with and into Deploy under the laws of the State of Nevada. Deploy, as the surviving corporation of the merger, assumed all the assets, obligations and commitments of Deploy Tech, and we were effectively re-domiciled in the State of Nevada. Upon the completion of the merger, Deploy assumed the name “Deploy Technologies Inc.”, and all of the issued and outstanding common stock of Deploy Tech was automatically converted into and became Deploy’s issued and outstanding common stock.

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

Principles of Consolidation

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

Name	Jurisdiction	Ownership	Date of acquisition or formation
DEP Nevada Inc. (“DEP Nevada”)	Nevada, USA	100%	10 August 2017
Nevada Medical Group LLC (“NMG”)	Nevada, USA	100%	14 November 2017
NMG Long Beach LLC (“NMG LB”)	California, USA	100%	18 December 2018
NMG Cathedral City LLC	California, USA	100%	4 January 2019
NMG San Diego LLC (“NMG SD”)	California, USA	60%	30 January 2019
NMG Ohio LLC (“NMG Ohio”)	Ohio, USA	100%	27 April 2017
NMG OH 1, LLC (“NMG OH 1”)	Ohio, USA	100%	30 January 2020
NMG OH P1, LLC (“NMG OH P1”)	Ohio, USA	100%	30 January 2020
NMG MI 1, Inc. (“NMG MI1”)	Michigan, USA	100%	24 June 2021
NMG MI C1 Inc. (“NMG MI C1”)	Michigan, USA	100%	24 June 2021
NMG MI P1 Inc. (“NMG MI P1”)	Michigan, USA	100%	24 June 2021
Canopy Monterey Bay, LLC (“Canopy”)	California, USA	100%	30 November 2021
NMG CA P1, LLC (“NMG CA P1”)	California, USA	100%	7 January 2020
NMG CA C1, LLC (“NMG CA C1”)	California, USA	100%	7 October 2020

(1) Dissolved on March 8, 2022.

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.

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

Significant reclassifications are as follows:

1. the Company segregated out a portion of the loan receivable balance of \$638,650 from the convertible loan amount of \$1,250,000.
2. the Company's long-term portion of the income tax liabilities in the amount of \$966,992 was reclassified to long-term liabilities.

Basis of presentation

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

Amounts receivable

Amounts receivable represents amounts owed from customers for sale of medical and recreational cannabis and sales tax recoverable. Amounts are presented net of the allowance for doubtful accounts, which represents the Company's best estimate of the amount of probable credit losses in the existing accounts receivable balance. The Company determines the allowance for doubtful accounts based on historical experience and current economic conditions. The Company reviews the adequacy of its allowance for doubtful accounts on a quarterly basis. As of 31 July 2022 and 2021, the Company has no allowance for doubtful accounts.

Revenue recognition

The Company recognizes revenue from product sales when our customers obtain control of our products. This determination is based on the customer specific terms of the arrangement for wholesale operations. Upon transfer of control, the Company has no further performance obligations. All retail sales are considered Cash on Delivery.

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

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

See Note 17 for revenue disaggregation table.

Inventory and cost of goods sold

Inventory 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 July 2022 and 2021, 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 recorded 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. For the year ended 31 July 2022, the Company recorded an impairment loss of \$7,967,000 (2021 - \$Nil) related to its brands and licenses acquired from NMG.

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 as of 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 July 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 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 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 July 2022 and 2021, the Company reported foreign currency translation adjustments as other comprehensive income or loss and included a schedule of comprehensive income/loss in the consolidated financial statements.

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 0.7798 for monetary assets and liabilities and 0.7881 as an average rate for transactions occurred during the year ended 31 July 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 Company’s convertible note receivable was measured at fair value 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 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 July 2022 and 2021:

	<u>As of 31 July 2022</u>	<u>As of 31 July 2021</u>
Financial assets at fair value		
Cash	\$ 1,854,277	\$ 7,374,194
Convertible loan receivable	1,250,000	1,250,000
Total financial assets at fair value	<u>\$ 3,104,277</u>	<u>\$ 8,624,194</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 of \$1,380,421 at 31 July 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. Subsequent to year-end, 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 July 2022</u>	<u>31 July 2021</u>
Work in progress	\$ 610,030	\$ 503,215
Finished goods	1,961,244	1,547,493
Consumables	1,308,726	885,448
Total	<u>\$ 3,880,000</u>	<u>\$ 2,936,156</u>

During the year ended 31 July 2022 and 2021, overhead expenses of approximately \$3,678,312 and \$739,605, respectively, were included in inventory.

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.

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 as management deems fair value to be more relevant than historical cost. 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 July 2022, the Company had advanced \$1,250,000 (2021 - \$1,250,000) and accrued interest income of \$72,000 (2021 - \$72,000) for the year ended 31 July 2022. As of 31 July 2022, total interest receivable was \$222,000 (2021 - \$150,000).

The assumptions used in the Black-Scholes Option Pricing Model are as follows: (i) equity price of \$28,571 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 90% using BAM as benchmark, and (iv) risk-free rate of 2.92%.

7. Loans receivable

During the year ended 31 July 2022, the Company advanced \$1,234,168 (2021 - \$1,207,375) to CCG and received repayments totaling \$843,000 (2021 - \$848,821) for a net increase in loan receivable of \$391,168 (2021 - \$358,554). At 31 July 2022, the amount receivable from CCG was \$789,984 (2021 - \$398,816).

The loan receivable at 31 July 2021 in the amount of \$239,834 acquired from NMG LB (Note 11) is due from an arm’s length party that is unsecured, non-interest bearing and due on demand. During the year ended 31 July 2022, the Company recorded an impairment loss of \$239,834 related to this loan to a carry value of \$Nil at 31 July 2022 (2021 - \$239,834).

8. Loan receivable from NMG Ohio LLC

On 7 June 2018, the Company acquired a 30% interest in NMG Ohio, which had a cannabis dispensary and a provisional production license. On 31 January 2019, the Company entered into a definitive agreement (“Definitive Agreement”) to acquire 100% ownership of NMG Ohio, or the remaining 70% interest for total cash payments of \$1,575,000 and issuance of 3,173,864 common shares of the Company.

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

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

9. Investment in and advances to GLDH

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

1. a definitive asset purchase agreement (the "Purchase Agreement") between the Company's wholly owned subsidiary, NMG LB, GLDH and Airport Collective, Inc. to acquire 100% ownership interest in GLDH's Long Beach, California dispensary. The Purchase Agreement was executed under the following terms:

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

- i. The USD\$5,200,000 Note and accrued interest; and
 - ii. USD\$1,500,000 to be paid in common shares of the Company at a price of CAD\$0.7439 per common share to a maximum of 2,681,006 common shares (the "Share Payment") (issued) (Note 16) upon NMG LB receiving the transfer of all licenses, permits and BCC authorizations for NMG LB to conduct medical and adult-use commercial cannabis retail operations. The Share Payment is subject to reduction equal to the net liability of GLDH and Airport Collective. The Share Payment reduction is pending and, as a result, the related shares have not been released from escrow.
2. a settlement agreement ("NMG SD Settlement Agreement") between the Company and its subsidiaries, and GLDH and its subsidiaries, to acquire a 60% ownership interest in GLDH's San Diego, California dispensary. The NMG SD Settlement Agreement's consideration includes the following on closing:
 - i. USD\$500,000 to be paid in common shares (624,380 common shares issued) (Note 16) to SGSD at a share price equal to the maximum allowable discount pursuant to Canadian Securities Exchange policies, upon execution of the settlement agreement;
 - ii. USD\$750,000 to be paid in common shares (issued) (Note 16) to Barakett at a price of CAD\$0.7439 per common share to a maximum of 1,340,502 Common Shares (the "DB Share Payment") upon NMG SD receiving all licenses, permits and authorizations for NMG SD to conduct medical commercial cannabis retail operations; and
 - iii. USD\$750,000 to be paid in common shares (issued) (Note 16) to Barakett at a price of CAD\$0.7439 per common share to a maximum of 1,340,502 common shares (the "DB Additional Shares Payment") upon NMG SD receiving all licenses, permits and authorizations for NMG SD to conduct adult-use commercial cannabis retail operations.

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3. a lease assignment (the "Lease Assignment Agreement") on the San Diego operation between the Company's 60%-owned subsidiary, NMG SD, Green Road, LLC, Show Grow San Diego, LLC ("SGSD"), and SJJR LLC. The Lease Assignment Agreement was executed under the following terms:
 - i. USD\$700,000, payable in common shares (1,031,725 common shares issued) (Note 16) at a share price equal to the maximum allowable discount pursuant to Canadian Securities Exchange policies, upon execution of the assignment agreement;
 - ii. USD\$783,765, payable in cash (paid), within 5 business days following execution of the assignment agreement (paid); and
 - iii. USD\$750,000, payable in cash (paid), including interest at 5% per annum, upon receipt of the San Diego Conditional Use Permit allowing adult-use commercial cannabis retail operations.

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

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

Additionally:

1. The Company is to provide a loan to GLDH in the amount of USD\$200,000 at an interest rate of 12% per annum, accrued and compounded quarterly and due within 3 years (provided);
2. The Company is to enter into a consulting agreement with Barakett through NMG LB to provide certain consulting and advisory services to NMG LB, agreeing to pay Barakett a total of USD\$200,000 (\$50,000 paid in fiscal 2019 and additional \$150,000 paid during the year ended 31 July 2020);
3. The Company will forgive approximately USD\$800,000 for prior operating loans advanced by the Company to GLDH; and;
4. The Company licenses certain intellectual property from Green Light District Management, LLC and GLDH (collectively referred to as "Licensor"). The Licensor grants the Company a perpetual license to utilize its operational intellectual property consisting of customer data, sales data, customer outreach strategies standard operating procedures, and other proprietary operational intellectual property. Licensor grants the Company a license for 2 years to utilize intellectual property such as trademarks and branding (the "Branding IP"). As consideration for the licenses, the Company has agreed to utilize the Branding IP until 19 June 2021 at the Company's premises and at the San Diego retail locations for a period of 2 years from operations commencing at that location. Additionally, the Company agreed to pay the Licensor 3% of gross receipts from sales at the Long Beach dispensary.

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

Note receivable	\$ 8,910,854
Interest income accrued on the Note	88,143
Advances for working capital	3,030
Expensed during the year	(188,879)
Foreign exchange	99,585
Balance – 31 July 2020	8,912,733
Impairment loss	(534,165)
Acquisition of ShowGrow Long Beach dispensary (Note 11) – 28 August 2020	(8,378,568)
Balance – 31 July 2021	-

10. Property and Equipment

	Office Equipment	Cultivation Equipment	Production Equipment	Kitchen Equipment	Vehicles	Vault Equipment	Leasehold Improvements	Total
Cost:								
Balance, 31 July 2021	\$ 401,571	\$ 466,110	\$ 570,702	\$ 51,108	\$ 38,717	\$ 10,335	\$ 5,055,799	\$ 6,594,342
Additions (disposals)	237,416	-	10,633	11,994	-	-	1,454,392	1,714,435
Balance, 31 July 2022	638,987	466,110	581,335	63,102	38,717	10,335	6,510,191	8,308,777
Accumulated Depreciation:								
Balance, 31 July 2021	49,765	250,544	210,166	21,722	24,328	1,790	1,142,237	1,700,552
Depreciation	73,826	68,312	80,563	8,158	5,531	1,476	729,825	967,691
Balance, 31 July 2022	123,591	318,856	290,729	29,880	29,859	3,266	1,872,062	2,668,243
Net Book Value:								
At 31 July 2021	351,806	215,566	360,536	29,386	14,389	8,545	3,913,562	4,893,790
At 31 July 2022	\$ 515,396	\$ 147,254	\$ 290,606	\$ 33,222	\$ 8,858	\$ 7,069	\$ 4,638,129	\$ 5,640,534

For the year ended 31 July 2022, a total depreciation of \$223,764 (2021 - \$765,857) was included in General and Administrative Expenses and a total depreciation of \$745,393 (2021 - \$453,884) was included in Cost of Sales.

11. Business Acquisitions**The Clubhouse dispensary**

The acquisition of The Clubhouse dispensary allows the Company to expand into the State of Ohio. On 4 September 2020, NMG OH 1 received all approvals and final license and name transfer from the Ohio Department of Pharmacy for Clubhouse dispensary located in Elyria, Ohio. The acquisition was accounted for as a business combination in accordance with ASC 805, Business Combinations. The following table summarizes the fair value of the assets acquired and the liabilities assumed, which were recorded as of the acquisition date, as well as the aggregate consideration for the acquisition of NMG OH 1 made by the Company:

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

ShowGrow Long Beach dispensary

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

Purchase consideration (Note 9)	\$ 8,378,568
Assets acquired:	
Cash	65,340
Prepaid expenses	15,264
Inventory	177,930
Property and equipment	5,402
Loan receivable (Note 7)	239,834
Liabilities assumed:	
Trade payable and accrued liabilities	(732,262)
Income taxes payable	(423,931)
Loans payable (Note 14)	(12,190)
Net liabilities acquired	(664,613)
Brand and licenses	6,510,000
Goodwill	2,533,181
TOTAL	\$ 8,378,568

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 16). In the event that six (6) months following the execution of PA #1, the value of the Consideration Shares have decreased such that total value of the Consideration Shares is less than ninety percent (90%) of its value, DEP agrees to cause the Company to issue an additional \$100,000 worth of shares of common stock of the Company (the “**Additional Shares**”) to be issued to the one continuing Seller based on the ten day VWAP calculated as of six (6) months following the closing of PA #1. This was included as contingent consideration in the purchase price and \$100,000 was recorded in accounts payable at 31 July 2022. PA #2 contains a working capital adjustment provision, which provides that if there is a working capital deficiency as of the closing date of PA #1, then the purchase price under PA #2 shall be reduced by the amount of the deficiency, and if there is a working capital surplus as of the closing date of PA #1, then the purchase price under PA #2 shall be increased by the amount of the surplus.

On or around 1 December 2021, 80% of the membership interests of Canopy were transferred to DEP for purposes of applying for city and state approvals of the change in ownership of Canopy, however, the purchase price consideration of (i) \$2.5 million in cash, and (ii) a promissory note in the amount of \$2.3 million to be paid by DEP, were placed in escrow and not to be released to the sellers of the 80% membership interests in Canopy until the city and state approvals have been received and the Financial Statements of Canopy are completed. If the city or state approvals are not received, or the Financial Statements of Canopy are not completed, then the Buyer may terminate the membership interest purchase agreement requiring the membership interests in Canopy to be transferred back to the sellers and the escrow agent to deliver back to DEP the cash consideration and the promissory note shall automatically be terminated. As of the date hereof, the city and state approvals have been received and the formal closing of the purchase of the 80% membership interests in Canopy closed in June 2022.

On 17 June 2022, the Company, through its wholly owned subsidiary, DEP Nevada, Inc., entered into the first amendment to PA #1 and PA #2 (the "First Amendment") whereby the cash purchase price under PA #1 will be reduced from \$2.5 million to \$1.25 million and the Company will issue \$1.25 million 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:

(c) 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;

© If the actual working capital is greater than the target working capital and the Additional True-up Shares are insufficient to cover the DEP Deficit, all of the Additional True-up Shares shall be issued to Sellers and the parties agree that any additional amounts owed to the Sellers shall be paid by DEP to the Sellers via additional shares of common stock of the Company.

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

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The acquisition was accounted for as a business combination in accordance with ASC 805, Business Combinations. For accounting purposes, the acquisition date is the date that the Company obtained full control over the operations, although not all conditions for closing the acquisition had occurred as of 1 December 2021. The following table summarizes the fair value of the assets acquired and the liabilities assumed, which were recorded as of the acquisition date, as well as the aggregate consideration for the acquisition of Canopy made by the Company:

Purchase consideration	
Cash	1,250,000
Promissory note	2,300,000
Shares of common stock (Note 16)	2,189,544
Contingent consideration	100,000
	<u>5,839,544</u>
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)
	<u>(245,529)</u>
Net liabilities 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 the results of operations of Canopy since the acquisition dates included in the Company's consolidated results of operations for the year ended 31 July 2022:

	Canopy
Revenue	\$ 4,793,369
Net income	<u>\$ 313,128</u>

The following table summarizes our consolidated results of operations for the years ended 31 July 2022 and 2021 as though the acquisitions of The Clubhouse Dispensary, Showgrow LB and Canopy had occurred on 1 August 2020.

	Year ended 31 July 2022	
	As Reported	Pro Forma (unaudited)
Revenue	31,638,163	34,927,334
Net loss	<u>(28,228,104)</u>	<u>(28,212,341)</u>
	Year ended 31 July 2021	
	As Reported	Pro Forma (unaudited)
Revenue	26,900,869	37,718,572
Net income	<u>(1,976,461)</u>	<u>(1,127,012)</u>

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

12. Goodwill and Intangible Assets, Net

The following table displays the changes in the gross carrying amount of goodwill:

Balance at 31 July 2021	\$ 5,168,902
Increase due to acquisitions – Canopy	4,845,073
Impairment	(10,013,975)
Balance at 31 July 2022	<u>\$ -</u>

During the year ended 31 July 2022, the Company recorded an impairment loss of \$10,013,975 related to the goodwill acquired previously. The Company's two reporting units are wholesale and retail. Impairment of \$2,635,721 was recorded for the wholesale reporting unit's goodwill to a carrying amount of \$Nil. Impairment of \$7,378,254 was recorded for the retail reporting unit's goodwill to a carrying amount of \$Nil.

Intangible assets consisted of the following:

	Gross carrying amount	Weighted average life (years)	As of 31 July 2022	
			Accumulated amortization	Net carrying amount
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	<u>\$ 14,328,508</u>		<u>\$ (2,467,193)</u>	<u>\$ 11,861,315</u>

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

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.

Amortization expense for intangible assets was \$266,753 and \$1,122,145 for the years ended 31 July 2022 and 2021, respectively.

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

2023	\$	1,301,106
2024		1,304,671
2025		1,301,106
2026		1,284,841
2027		1,283,116
Thereafter		4,961,475
	\$	<u>11,436,315</u>

13. Related Party Balances and Transactions

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

	For the year ended 31 July 2022	For the year ended 31 July 2021
A company controlled by the President, Chief Executive Officer and a director Management fees	\$ 284,533	\$ 159,657
A company controlled by the Chief Financial Officer and a director Management fees	134,693	109,487
A company controlled by a former director and former President of NMG Management fees	-	65,000
A company controlled by the Corporate Secretary Management fees	87,748	70,990
	<u>\$ 506,974</u>	<u>\$ 405,134</u>

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

- a) As of 31 July 2022, the Company owed \$102,480 (2021 - \$26,841) to the Chief Executive Officer of the Company and a company controlled by him.
- b) As of 31 July 2022, the Company owed \$31,704 (2021 - \$Nil) to the Chief Operating Officer.
- c) As of 31 July 2022, the Company owed \$10,780 (2021 - \$18,914) to the Chief Financial Officer of the Company and a company controlled by him.
- d) As of 31 July 2022, the Company owed \$18,898 (2021 - \$6,319) to the Corporate Secretary of the Company and a company controlled by him.

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

14. Loans payable

On 19 July 2021, the Company entered into and closed a loan agreement (the "Loan Agreement") with FG Agency Lending LLC (the "Agent") and Bomind Holdings LLC (the "Lender"). Upon entering into the Loan Agreement, the Lender provided the initial term loan (the "Initial Term Loan") in the face amount of \$6,666,667 of which \$6,000,000 was advanced to the Company with the 10% representing an origination discount as consideration for the use or forbearance of money. The Company may draw upon the remaining face amount of \$4,444,444 (the "Delayed Draw Term Loan") upon providing a 30-day request to the Agent by 1 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.

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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:

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

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

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

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

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:

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

During the year ended 31 July 2022, the Company recorded \$474,350 related to the amortization of debt discount and \$893,901 related to the interest expense. As of 31 July 2022, the remaining debt discount was \$1,573,031.

Long Beach loan

The loan payable at 31 July 2022 in the amount of \$12,535 assumed from NMG LB (Note 11) is unsecured, non-interest bearing and has no set terms of repayment.

Canopy loan

On 30 November 2021, the Company completed PA #1 related to the Company's acquisition of initial 80% interest in Canopy (Note 11). In connection with PA #1, DEP entered into secured promissory note (the "Promissory Note") promising to pay \$2,300,000 to the Sellers bearing interest at a rate of 10% per annum compounded annually and having a maturity date of 30 November 2026. The Promissory Note was delivered as partial consideration for DEP's agreement to purchase 80% of the issued and outstanding membership interests (the "Purchased Interests") of Canopy from the Sellers. See Note 11.

15. Operating leases

- a) On 10 November 2017, Nevada Medical Group, LLC entered a ten-year lease agreement with Resort Holdings 5, LLC, a Nevada limited liability company, for the property located at 3375 Pepper Lane, Las Vegas, NV, containing approximately 18,000 square feet. We have four options to extend the lease agreement and each option is for five years. In July 2018, Resort Holdings 5, LLC, the landlord, sold the property to a third party and assigned the lease to Minor Street Properties, LLC. All lease terms remained the same. On 9 May 2022, we amended the lease agreement which exercised our first option to extend the lease for an additional five years with rent during the option term subject to a 3% increase on each anniversary date of the lease. The monthly rent was \$13,659 + common area expenses and increased to \$14,068 + common area expenses on 1 January 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 and increased to \$16,390 + common area expenses on 1 December 2021. 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, 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 16).

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.

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- 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.

During the year ended 31 July 2022, a total deposit \$470,546 for prior year shares were reclassified and incorporated into the right-of-use asset and lease liabilities related to the Company's leases for the River Street.

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 year ended 31 July 2022, the Company recorded a total lease expense of \$1,103,849 related to the accretion of lease liabilities and the depreciation of right-of-use assets of which \$856,697 was included in General and Administrative Expenses and \$247,152 was included in Cost of Sales.

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	\$	862,294
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$	4,568,672

Weighted-average remaining lease term – operating leases	7.32 years
Weighted-average discount rate – operating leases	12%

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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	\$ 1,309,292
2024	1,280,541
2025	1,308,943
2026	1,248,160
2027	1,110,515
Thereafter	3,172,662
Total lease payments	\$ 9,430,113
Less imputed interest	(3,310,740)
Total	\$ 6,119,373
Less current portion	(604,445)
Long term portion	5,514,928

The Company has entered into two lease agreements for operations with terms similar to current lease agreements that are not yet effective, as certain conditions required have not yet occurred. The Company paid a deposit of \$113,828 during the year ended 31 July 2022 recorded in Deposits on the balance sheet.

During the year ended 31 July 2022, the Company recorded an impairment loss of \$2,296,383 related to the two right-of-use assets in Michigan for NMG MI C1 and NMG MI P1 as the Company is re-evaluating these two projects.

16. Capital Stock

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

On 21 October 2020, the Company issued 793,466 common shares valued at \$297,042 in relation to acquiring the remaining 70% interest in NMG Ohio (Notes 8 and 11).

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

During the year ended July 31, 2021, the Company issued 700,000 common shares upon exercise of 700,000 stock option awards with an exercise price of CAD\$0.57 per common share for proceeds of \$317,045 (CAD\$399,000).

On 21 September 2021, the Company issued 238,929 common shares and 1,304,601 common shares based on the terms and conditions of the two lease agreements for the Manistee, Michigan premises (Notes 15 and 18).

Pursuant to the ShowGrow Long Beach Purchase Agreement (Note 9), the Company issued 2,681,006 common shares in escrow. The share consideration remains subject to reduction with reference to the liabilities of the business that will be outstanding on the closing date, which is expected to occur in the near future (Notes 11 and 19).

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

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 2020	9,155,000	CAD\$ 0.70	3.48	CAD\$ -
Granted	1,500,000	CAD\$ 0.61		
Cancelled	(100,000)	CAD\$ 0.66		
Exercised	(700,000)	CAD\$ 0.57		
Outstanding at 31 July 2021	9,855,000	CAD\$ 0.71	2.76	CAD\$ 3,750
Granted	848,000	CAD\$ 0.37		
Cancelled	(1,250,000)	CAD\$ 0.70		
Outstanding at 31 July 2022	9,453,000	CAD\$ 0.67	2.11	CAD\$ -
Vested and fully exercisable at 31 July 2022	8,492,000	CAD\$ 0.67		

On 30 November 2021, the Company issued 448,000 stock options with an exercise price of CAD\$0.44 per share for a term of five years expiring on 30 November 2026. The options were granted to current directors and officers of the Company. The options are subject to vesting provisions such that 25% of the options vest 6 months from the date of grant, 25% of the options vest 12 months from the date of grant, 25% of the options vest 18 months from the date of grant and 25% of the options vest 24 months from the date of grant. The total fair value of the stock options granted was calculated to be \$99,241 (CAD\$125,925). During the year ended 31 July 2022, the Company recorded a stock-based compensation of \$60,792 (CAD\$77,137) (2021 - \$Nil) related to these options.

On 30 November 2021, the Company issued 200,000 stock options with an exercise price of CAD\$0.44 per share for a term of three years expiring on November 30, 2024. The total fair value of the stock options granted was calculated to be \$33,484 (CAD\$42,487). During the year ended 31 July 2022, the Company recorded a stock-based compensation of \$33,484 (CAD\$42,487) (2021 - \$Nil) related to these options.

On 8 July 2022, the Company issued 200,000 stock options with an exercise price of CAD\$0.15 per share for a term of five years expiring on July 8, 2027. The total fair value of the stock options granted was calculated to be \$13,247 (CAD\$16,809). During the year ended 31 July 2022, the Company recorded a consulting fee of \$13,247 (CAD\$16,809) (2021 - \$Nil) related to these options.

The assumptions used in the Black-Scholes Option Pricing Model are as follows:

	31 July 2022	31 July 2021
Expected life of the options	1.81 – 3.125 years	1.81 – 3.125 years
Expected volatility	94% - 102%	101% - 195%
Expected dividend yield	0%	0%
Risk-free interest rate	0.97% - 3.09%	0.25% - 1.43%

Grant Dates	Fair Value on Grant Date	Unrecognized stock-based compensation – beginning	Stock-based compensation recognized during the year	Unrecognized stock-based compensation – ending
21 August 2019	CAD\$ 1,818,232	CAD\$ 13,277	\$ 10,464 (CAD\$13,277)	CAD\$ -
1 October 2019	CAD\$ 191,960	CAD\$ 4,139	\$ 3,262 (CAD\$4,139)	CAD\$ -
23 January 2020	CAD\$ 90,608	CAD\$ 5,271	\$ 4,154 (CAD\$5,271)	CAD\$ -
1 March 2020	CAD\$ 75,331	CAD\$ 6,539	\$ 5,153 (CAD\$6,539)	CAD\$ -
30 April 2020	CAD\$ 701,863	CAD\$ 94,475	\$ 74,456 (CAD\$94,475)	CAD\$ -
6 March 2021	CAD\$ 577,928	CAD\$ 327,091	\$ 218,243 (CAD\$276,924)	CAD\$ 50,167
5 April 2021	CAD\$ 82,409	CAD\$ 32,048	\$ 25,257 (CAD\$32,048)	CAD\$ -
30 November 2021	CAD\$ 125,925	CAD\$ 125,925	\$ 60,792 (CAD\$77,137)	CAD\$ 48,788
30 November 2021	CAD\$ 42,487	CAD\$ 42,487	\$ 33,484 (CAD\$42,487)	CAD\$ -
8 July 2022	CAD\$ 16,809	CAD\$ 16,809	\$ 13,246 (CAD16,809)	CAD\$ -
TOTAL	CAD\$ 3,724,552	CAD\$ 668,061	\$ 448,512 (CAD\$569,106)⁽¹⁾	CAD\$ 98,955

(1) \$13,246 related to options granted on 8 July 2022 was recorded as consulting fees.

Share purchase warrants and brokers' warrants

	Number of warrants	Weighted average exercise price
Outstanding at 31 July 2020	12,415,284	CAD\$1.49
Issued	4,800,000	USD\$0.40
Outstanding at 31 July 2021 ⁽¹⁾	17,215,284	CAD\$1.21
Issued	1,000,000	USD\$0.16
Outstanding at 31 July 2022 ⁽¹⁾	18,215,284	CAD\$1.13

(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.

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

Number of warrants outstanding and exercisable	Exercise price	Expiry dates
11,780,134 CAD\$	1.50	17 May 2023
635,150 CAD\$	1.25	16 May 2023
4,800,000 USD\$	0.40	19 July 2025
1,000,000 USD\$	0.16	14 June 2027
18,215,284 CAD\$	1.16	

During the year ended 31 July 2022, the Company issued 1,000,000 warrants in connection with Amendment No. 2 to Loan Agreement (Note 14).

During the year ended 31 July 2021, the Company issued 4,800,000 warrants related to the Initial Term Loan (Note 14).

17. Segment Information and Major Customers

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

- 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.

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Segment revenue and operating income were as follows during the years ended 31 July 2022:

Year Ended July 31,	2022
Revenue	
Wholesale	\$ 5,324,804
Retail	26,313,359
All others	-
Total	\$ 31,638,163

Year Ended July 31,	2022
Net loss	
Wholesale	\$ (13,718,691)
Retail	(5,321,066)
All others	(9,188,347)
Total	\$ (28,228,104)

Segment revenue and operating income were as follows during the years ended 31 July 2021:

Year Ended July 31,	2021
Revenue	
Wholesale	\$ 8,103,674
Retail	18,797,195
All others	-
Total	\$ 26,900,869

Year Ended July 31,	2021
Net loss	
Wholesale	\$ 2,999,697
Retail	2,551,396
All others	(7,527,554)
Total	\$ (1,976,461)

During the years ended 31 July 2022 and 2021, the Company had no major customer over 10% of its revenues.

18. Supplemental Disclosures with Respect to Cash Flows

	Year Ended 31 July	
	2022	2021
Cash paid during the year for interest	\$ 876,364	\$ -
Cash paid during the year for income taxes	\$ 3,436,572	\$ 582,152

On closing of the acquisition of NMG Ohio, the balance of \$955,877 was reclassified from loans receivable to respective net assets acquired (Note 8), including \$887,495 of property and equipment.

Pursuant to certain licensing milestones being achieved under a lease agreement for a premises in Muskegon, Michigan and certain licensing and operational milestones being achieved under two lease agreements for a premises in Manistee, Michigan, on 21 September 2021, the Company issued 238,929 shares of common stock to one entity based on the terms and conditions of the certain lease agreement for the Muskegon, Michigan premises and issued an aggregate of 1,304,601 shares of common stock to another entity based on the terms and conditions of the two lease agreements for the Manistee, Michigan premises (Notes 15 and 16). These shares had an aggregate fair value of \$547,026.

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On 15 July 2022, the Company issued 319,149 common shares to one entity with a fair value of \$31,822 based on the terms and conditions of the certain lease agreement for the Muskegon, Michigan premises.

On the assumption of an additional leases in Ohio and Michigan and lease amendments in Nevada and Long Beach (Note 15), the Company recognized right-of-use assets, and a corresponding increase in lease liabilities, in the amount of \$4,462,370 which represented the present value of future lease payments using a discount rate of 12% per annum.

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

Pursuant to the Amendment No. 2 to Loan Agreement, the Company paid the lender fees, including 1,000,000 common stock purchase warrants and accrued the exit fee of \$100,000. The fair value of the 1,000,000 Warrants were valued at \$79,585 using the Black Scholes Option Pricing Model.

19. Commitments

During the year ended 31 July 2022, pursuant to the ShowGrow Long Beach Purchase Agreement (Note 9), the Company issued 2,681,006 common shares in escrow. The share consideration remains subject to reduction with reference to the liabilities of the business that will be outstanding on the closing date, which is expected to occur in the near future. Any final settlement that is different than liabilities' balances currently recorded will be allocated to other income or expense.

20. Other Agreements

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

21. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes for the years ended 31 July 2022 and 2021 is as follows:

The (benefit) expense for income taxes consists of the following:

	<u>2022</u>	<u>2021</u>
Current:		
Federal	\$ 2,277,868	\$ 2,281,497
State	85,867	99,322
	<u>2,363,735</u>	<u>2,380,819</u>
Deferred:		
Federal	6,598	(214,352)
State	222,832	242
	<u>229,430</u>	<u>(214,110)</u>
Total expense for income taxes	<u>\$ 2,593,165</u>	<u>\$ 2,166,709</u>

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Section 280E of the Internal Revenue Code (“IRC”) prohibits businesses engaged in the trafficking of Schedule I or Schedule II controlled substances from deducting normal business expenses, such as payroll and rent, from gross income (revenue less cost of goods sold). Section 280E was originally intended to penalize criminal market operators, but because cannabis remains a Schedule I controlled substance for U.S. Federal purposes, the Internal Revenue Service (the “IRS”) has subsequently applied Section 280E to state-legal cannabis businesses. Cannabis businesses operating in states that align their tax codes with the IRC are also unable to deduct normal business expenses from their state taxes. The nondeductible expenses shown in the effective rate reconciliation above is comprised primarily of the impact of applying Section 280E to the Company’s businesses that are involved in selling cannabis, along with other typical non-deductible expenses such as lobbying expenses.

	<u>2022</u>	<u>2021</u>
Net loss for the year before income tax	\$ (25,634,939)	\$ 190,248
Federal and state income tax rates	21.00%	21.00%
Expected income tax recovery	(5,383,335)	39,951
IRC 280E disallowance	8,208,764	1,935,581
Stock options	118,816	243,829
Impairment of consolidated investment	-	176,816
Other permanent differences	(78,052)	(82,301)
Opening deferred tax adjustments	(602,555)	(284,621)
State taxes	(394,760)	7,598
Change in benefit not recognized	724,287	129,856
Total income tax expense	\$ 2,593,165	\$ 2,166,709

The impact of the loss on impairment of goodwill, intangible assets, ROU assets, and loans receivable in the aggregate amount of \$20,517,192 is included in the IRC 280E disallowance for 2022. Approximately \$4.3 million was included in the IRC 280E disallowance for the year ended 31 July 2022 related to the impairment losses.

The significant components of the Company’s deferred income tax assets and liabilities are as follows:

	<u>As at</u> <u>31 July 2022</u>	<u>As at</u> <u>31 July 2021</u>
Deferred income tax asset		
Lease liabilities	\$ 342,437	\$ 123,208
Net income tax operating loss carry forward	276,739	-
Brand and license	559,032	-
Inventory	(541,689)	-
Investments	126,395	6,648
Deferred tax allowance	(854,143)	(129,856)
Deferred income tax liability		
Property and equipment – Non right-of-use	(103,601)	(39,603)
Property and equipment – Right-of-use	(232,940)	(101,404)
Brand and license	-	(57,332)
Net deferred income tax liability	\$ (427,770)	\$ (198,339)

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Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended 31 July 2022. Such objective evidence limits the ability to consider other subjective evidence, such as our projections for future growth. On the basis of this evaluation, as of 31 July 2022, a valuation allowance of \$854,143 and as of 31 July 2021 (2021 - \$129,856), has been recorded to recognize only the portion of the deferred tax asset that is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as our projections for growth.

As a result of an “ownership change” within the meaning of Section 382(g) of the Internal Revenue Code of 1986, as amended, which occurred in the 31 July 2016 fiscal year, we are limited in our ability to utilize our net operating loss carryforwards and certain other built-in deductions in computing our taxable income beginning with the ownership change date. As a result, \$2,450,364 of our net operating loss is limited. We have state tax loss carryforwards of \$3.1 million, which expire at various times through July 31, 2042.

Following is a reconciliation of gross unrecognized tax benefits from uncertain tax positions, excluding the impact of penalties and interest. The tax accounting method was changed to the Farm Price method which allows a more granular assessment of each expense, for the cultivation and manufacturing operations only, to be applied and expensed as cost of goods, to determine net taxable income

	<u>As at</u> <u>31 July 2022</u>	<u>As at</u> <u>31 July 2021</u>
Beginning year balance	\$ 966,992	\$ 966,992
Increase related to prior year tax positions	-	-
Increase related to current year tax positions	-	-
Ending year balance	<u>\$ 996,992</u>	<u>\$ 966,992</u>

Of the \$966,992 of gross unrecognized tax benefits from uncertain tax positions outstanding as of 31 July 2022, \$Nil would affect our effective tax rate if recognized.

Interest related to uncertain tax positions are required to be calculated, if applicable, and would be classified as “interest expense” in the two statements of operations. Penalties would be recognized as a component of “general and administrative expenses”. As of 31 July 2022, \$48,959 of interest and \$Nil penalties were reported and as of 31 July 2021 (\$24,750 and \$Nil, respectively).

Our U.S. federal income tax returns for 31 July 2018 through 2020 are open to review by the U.S. Internal Revenue Service. Our state income tax returns for 31 July 2018 through 2020 are open to review, depending on the respective statute of limitation in each state.

As of 31 July 2022, we believe it is reasonably likely that, within the next twelve months, \$Nil of the previously unrecognized tax benefits related to certain non-U.S. filing positions may be recognized due to the expirations of the statutes of limitations.

22. 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\$0.134 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, 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 “CraftedPlants”) and certain shareholders of CraftedPlants (the “Sellers”) entered into an Agreement and Plan of Merger (the “Merger Agreement”) whereby Merger Sub merged with and into CraftedPlants as the surviving entity (in such capacity, the “Surviving Entity”), and following the consummation of the merger, which occurred on December 21, 2022, the Surviving Entity became a wholly-owned subsidiary of DEP and changed its name to BaM Body and Mind Dispensary NJ, Inc.

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 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

We did not have any disagreements on accounting and financial disclosures with our present accounting firm during the reporting period.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Annual Report. Based on such evaluation, our Principal Executive Officer and Principal Financial Officer have concluded that, as of the end of the period covered by this Annual Report, our disclosure controls and procedures were not effective due to the material weaknesses described below.

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.

Management's annual report on internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) under the Exchange Act.

Management assessed the effectiveness of our internal control over financial reporting 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. Based on its assessment, management concluded that our internal control over financial reporting was not effective as of July 31, 2022 due to material weaknesses regarding experienced personnel with knowledge of GAAP and the proper levels of supervision and review required to provide timely financial information. The Company was unable to perform an adequate assessment and procedures in determining effective internal control over financial reporting.

This Annual Report does not include an attestation report of our registered public accounting firm regarding our internal control over financial reporting. This attestation report by our registered public accounting firm was not required pursuant to rules of the SEC that permit us to provide only our management's report on internal control over financial reporting.

We will continue to monitor and evaluate the effectiveness of our internal controls and procedures over financial reporting on an ongoing basis and are committed to taking further action by implementing additional enhancements or improvements, or deploying additional human resources as may be deemed necessary.

Changes in internal control over financial reporting

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

ITEM 9B. OTHER INFORMATION

Not applicable.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

All Body and Mind directors hold office until the next annual general meeting of the shareholders unless his office is earlier vacated in accordance with our Articles or he becomes disqualified to act as a director. Body and Mind officers are appointed by our board of directors and hold office until their earlier death, retirement, resignation or removal.

Body and Mind executive officers and directors and their respective ages as of the date of this report are as follows:

Name and Position(1)	Age	Principal Occupation and Positions Held During the Last Five Years(1)
Michael Mills President, CEO and Director	53	President and CEO of Body and Mind Inc. (Aug 2019 to present);
Stephen ‘Trip’ Hoffman COO and Director	57	Chief Operating Officer of Body and Mind (Nov 2018 to present), principle officer of DEP Nevada, Nevada Medical Group, Canopy Monterey Bay, NMG Ohio, NMG OH 1, NMG OH P1, NMG MI 1, NMG MI C1, NMG MI P1, NMG Cathedral City, NMG Long Beach, NMG San Diego, and NMG Chula Vista.
Darren Tindale Corporate Secretary	49	Former CFO of Body and Mind Inc. (March, 2017 to Aug 2019). CFO of Batero Gold Corp. (Dec 2012 to Dec 2013). Director of Finance of Bingham Group Services Corp. (Dec 2015 to July 2016). Owner and President of Stonerock Financial Ltd. (June 2010 to present).
Alexis Podesta Director	42	Director of Body and Mind Inc. (March 2021 to present). Past Cabinet Secretary of the California Business, Consumer Services and Housing Agency.
Brent Reuter Director	55	Director of Body and Mind Inc. (Oct 2019 to present); Senior VP of investors relations and strategy for Australis Capital Inc. (October 2019 to present).
Dong Shim CFO and Director	39	Director of Body and Mind Inc. (Jul 2016 to present) and CFO of Body and Mind Inc. (Aug 2019 to present); President and founder of both SHIM Accounting Corporation (June 2013 to present) and Golden Tree Capital Corp. (November 2015 to present), and a director of National Securities Administrators Ltd. (December 2016 to present). CFO for Avricore Health Inc. (Feb. 2018 to Sept. 2018), CFO of E-Play Digital Inc., (November 2016 to present), CFO for Arizona Silver Exploration Inc. (August 2017 to present), CFO for Mission Ready Solutions Inc. (June 2017 to present), CFO for Organimax Nutrient Corp. (April 2018 to present), and CFO for Reliq Health Technologies Inc. (Nov 2018 to March 2020).

The following is a brief account of the education and business experience of each director, executive officer and key employee during at least the past five years, indicating each person’s principal occupation during the period, and the name and principal business of the organization by which he or she was employed, and including other directorships held in reporting companies.

Michael Mills Mr. Mills was appointed President and Interim Chief Executive Officer on August 21, 2019 and was previously the Vice-President, Communications of the Company from June 2018 to August 21, 2019. On January 23, 2020, Mr. Mills was elected as a director and on April 30, 2020, Mr. Mills was appointed as full-time CEO. Prior to joining the Company, Mr. Mills was the President of Fairlawn Capital Partners Ltd., a consulting company offering finance, communications and capital market solutions to public and private businesses. Mr. Mills has experience in industries including media, manufacturing and technology and held increasingly senior roles at the Financial Post and National Post newspapers. Mr. Mills obtained a Bachelor of Business Administration from Bishop’s University.

Mr. Mills devotes approximately 70% of his time to us. Mr. Mills has entered into a consulting agreement with us.

Stephen “Trip” Hoffman Mr. Hoffman has been a Board member since March 1, 2020 and was appointed as Chief Operating Officer (“COO”) of the Company on November 15, 2018. Mr. Hoffman was previously the Chief Executive Officer of Bolder Venture Ltd., a privately held medical and recreational marijuana cultivation and dispensary company located in Boulder, Colorado, from 2016 until his appointment as Chief Operating Officer of the Company. From 2011 to 2016, Mr. Hoffman was the Chief Executive Officer of Trading Block Holdings Inc., a financial technology company located in Chicago, Illinois. Mr. Hoffman obtained a PhD in physics from Purdue University in December 1991.

Dong Shim Mr. Shim has been a Board member since December 15, 2016 and was appointed as the Chief Financial Officer of the Company on August 21, 2019. Mr. Shim is a partner and founder of Shim & Associates LLP (June 2013 to present) and Golden Tree Capital Corp. (November 2015 to present) providing accounting and other business advisory services to numerous companies in various industries. Mr. Shim is a director of National Securities Administrators Ltd. (May 2017 to present), Chief Financial Officer for E-Play Digital Inc. (November 2016 to present), Chief Financial Officer for Arizona Silver Exploration Inc. (August 2017 to present), Chief Financial Officer for Canamex Resources Corp. (August 2017 to present), Chief Financial Officer for Mission Ready Solutions Inc. (June 2017 to present), Chief Financial Officer for Organimax Nutrient Corp. (April 2018 to present), Chief Financial Officer for Avricore Health Inc. (February 2018 to September 2018), and interim Chief Financial Officer of Reliq Health Technologies Inc. (November 2018 to March 2020). Mr. Shim also serves as the CFO for International Private Vault Inc., a private company based in British Columbia, Canada, and as a director of National Securities Administrators Ltd., a transfer agent company based in British Columbia, Canada.

Mr. Shim devotes approximately 50% of his time to us. Mr. Shim has entered into a consulting agreement with us.

Alexis Podesta Alexis Podesta has served in senior roles in both the public and private sector. Known for her talent to skillfully navigate complex policy and political issues, her broad portfolio has included problem-solving on high-profile policies in both government and the corporate world. Alexis was entrusted by both Governor Gavin Newsom and Governor Edmund G. Brown, Jr. to manage the sprawling California Business, Consumer Services and Housing Agency. As Secretary of the Cabinet-level Agency, she directed its \$4.75 billion budget and nearly 6,100 employees. Alexis oversaw twelve departments, boards, a commission, a panel and a council whose job is to license and regulate professionals and businesses in California to protect consumers; regulate businesses engaged in financial transactions; preserve, expand and fund safe and affordable housing opportunities; to provide solutions to address homelessness in California; to investigate and research earthquake related issues to advise on ways to reduce earthquake risk; and to protect the civil rights of all Californians from acts of hate violence and unlawful discrimination in employment, housing and public accommodations. Additionally, the departments under the agency provided \$1.9 billion in funding for affordable housing; made \$3.5 billion annually in loans for first-time homebuyers; made \$600 million annually in loans for affordable multi-family properties; and provided \$650 million in assistance to local jurisdictions to combat homelessness. Additionally, the Department of Fair Employment and Housing filed more than 22,500 civil rights cases. Prior to being appointed to lead the Agency, Alexis served as the Director of External and International Affairs for Governor Brown. She directed outreach, communication and partnerships with stakeholder groups, and provided key support for the Governor’s special projects. In addition, Alexis was the Governor’s lead representative on international affairs and served as Chief of Protocol.

Brent Reuter Mr. Reuter has been a Board member since October 16, 2019. Mr. Reuter has deep experience driving new revenue growth and managing businesses in the banking and investment sectors, most recently as principal investor relations for Onex Corp., a private equity firm, vice-president of asset management for Canadian Imperial Bank of Commerce and as managing director at Royal Bank of Canada with roles in Hong Kong and New York. In these roles, he built high-value client and strategic partnerships, recruited and developed sales teams, and implemented and executed high-impact revenue coverage models. In addition, Mr. Reuter is the senior vice-president of investor relations and strategy of Australis Capital Inc. Mr. Reuter obtained a Bachelor of Business Administration from Lakehead University in Thunder Bay, Ontario in 1990.

Mr. Reuter devotes approximately 15% of his time to us.

Darren Tindale Mr. Tindale was our Chief Financial Officer from March 6, 2017 to August 20, 2019 and Corporate Secretary since August 20, 2019. Mr. Tindale brings over 17 years of financial accounting and management experience and has worked for both public and private companies. Mr. Tindale has served as Chief Financial Officer for numerous TSX Venture listed companies.

Mr. Tindale devotes approximately 50% of his time to us.

Significant Employees

Body and Mind does not have any employees and its officers and directors provide their services on a consulting basis. Body and Mind has approximately 128 full and part-time employees at all of its locations.

Family Relationships

There are currently no family relationships between any of the members of the board of directors or the executive officers.

Involvement in Certain Legal Proceedings

Except as disclosed in this Annual Report, during the past ten years none of the following events have occurred with respect to any of our directors or executive officers:

1. A petition under the Federal bankruptcy laws or any state insolvency law was filed by or against, or a receiver, fiscal agent or similar officer was appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;
2. Such person was convicted in a criminal proceeding or is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);
3. Such person was the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from, or otherwise limiting, the following activities:
 - a. Acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity;
 - b. Engaging in any type of business practice; or
 - c. Engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of Federal or State securities laws or Federal commodities laws;

4. Such person was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any Federal or State authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described in paragraph (3)(i) above, or to be associated with persons engaged in any such activity;
5. Such person was found by a court of competent jurisdiction in a civil action or by the Commission to have violated any Federal or State securities law, and the judgment in such civil action or finding by the Commission has not been subsequently reversed, suspended, or vacated;
6. Such person was found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any Federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;
7. Such person was the subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of:
 - a. Any Federal or State securities or commodities law or regulation; or
 - b. Any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or
 - c. Any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
8. Such person was the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

There are currently no legal proceedings to which any of our directors or officers is a party adverse to us or in which any of our directors or officers has a material interest adverse to us.

Section 16(A) Beneficial Ownership Reporting Compliance

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act requires our directors and officers, and the persons who beneficially own more than 10% of our common stock, to file reports of ownership and changes in ownership with the SEC. Copies of all filed reports are required to be furnished to us pursuant to Rule 16a-3 promulgated under the Exchange Act. Based solely on the reports received by us and on the representations of the reporting persons, we believe that these persons have complied with all applicable filing requirements during the fiscal year ended July 31, 2022, except as follows:

Name	Position Held	Late or Unfiled Report
Michael Mills	President, CEO and Director	Form 4 filed late
Stephen Hoffman	COO and Director	Form 4 filed late
Australis Capital Inc.	Shareholder	2 Form 4s filed late

Code of Ethics

We have not adopted a written Code of Ethics at this time that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Our Board of Directors are reviewing the necessity of adopting such a document given we are still in the development stage and have limited employees, officers and directors.

Board Committees

Nominating Committee

We do not have a Nominating Committee and our Board of Directors as a whole is responsible for identifying and nominating qualified individuals to our Board of Directors. Since our formation we have relied upon the personal relationships of our President and directors to attract individuals to our Board of Directors.

Our Board of Directors considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of views and experience.

We do not have a policy regarding the consideration of any director candidates which may be recommended by our stockholders, including the minimum qualifications for director candidates, nor has our Board of Directors established a process for identifying and evaluating director nominees. We have not adopted a policy regarding the handling of any potential recommendation of director candidates by our stockholders, including the procedures to be followed. Our Board has not considered or adopted any of these policies as we have never received a recommendation from any stockholder for any candidate to serve on our Board of Directors. Given our relative size and lack of directors and officers insurance coverage, we do not anticipate that any of our stockholders will make such a recommendation in the near future. While there have been no nominations of additional directors proposed, in the event such a proposal is made, all members of our Board will participate in the consideration of director nominees.

Compensation Committee

Our Compensation Committee is comprised of Mr. Reuter, Ms. Podesta, Mr. Wenger and Mr. Hoffman. This committee reviews and recommends to our Board of Directors the salaries, and benefits of all employees, consultants, directors and other individuals compensated by us.

Audit Committee

The Audit Committee is comprised of Mr. Shim, Ms. Podesta and Mr. Reuter.

Our Board of Directors has determined that we have at least one financial expert. Mr. Wenger and Mr. Reuter are considered independent.

An audit committee financial expert means a person who has the following attributes:

- (a) An understanding of generally accepted accounting principles and financial statements;
- (b) The ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- (c) Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the small business issuer's financial statements, or experience actively supervising one or more persons engaged in such activities;
- (d) An understanding of internal control over financial reporting; and
- (e) An understanding of audit committee functions.

The audit committee's primary function is to provide advice with respect to our financial matters and to assist the Board of Directors in fulfilling its oversight responsibilities regarding finance, accounting and legal compliance. The audit committee's primary duties and responsibilities are to:

- serve as an independent and objective party to monitor our financial reporting process and internal control system;
- review and appraise the audit efforts of our independent accountants;
- evaluate our quarterly financial performance as well as our compliance with laws and regulations;
- oversee management's establishment and enforcement of financial policies and business practices; and
- provide an open avenue of communication among the independent accountants, management and the Board of Directors.

ITEM 11. EXECUTIVE COMPENSATION

General

For the purposes of this section:

“**CEO**” means an individual who acted as the Chief Executive Officer of Body and Mind, or acted in a similar capacity, for any part of the most recently completed financial year;

“**CFO**” means an individual who acted as the Chief Financial Officer of Body and Mind, or acted in a similar capacity, for any part of the most recently completed financial year;

“**incentive plan**” means any plan providing compensation that depends on achieving certain performance goals or similar conditions within a specified period;

“**incentive plan award**” means compensation awarded, earned, paid or payable under an incentive plan;

“**NEO**” means each of the following individuals:

- (a) a CEO;
- (b) a CFO;
- (c) each of Body and Mind's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 for that financial year; and
- (d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was neither an executive officer of Body and Mind, nor acting in a similar capacity, at the end of that financial year;

“**option-based award**” means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights and similar instruments that have option-like features; and

“**share-based award**” means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units, and stock.

Compensation Discussion and Analysis

Compensation Program Objectives

We have not established a strategy for setting executive salary levels, creating standards we apply in setting compensation levels or what factors we intend to encourage by establishing compensation levels. Since we acquired NMG, raised equity capital and have been generative revenues from the sale of our products, we have been compensating our NEOs at levels comparable to executive officers of companies within its industry at similar stages of growth.

Our Compensation Committee reviews and recommends to our Board of Directors the salaries, and benefits of all employees, consultants, directors and other individuals compensated by us. The Board of Directors assumes responsibility for reviewing the recommendations of the Compensation Committee and monitoring the long-range compensation strategy for our senior management. The Compensation Committee and the Board of Directors reviews the compensation of senior management on a semi-annual basis taking into account compensation paid by other issuers of similar size and activity. The Compensation Committee and the Board of Directors receives independent competitive market information on compensation levels for executives. It uses salary data of comparable private and public companies as a benchmark for setting executive compensation. This data is obtained from various sources including online research and market surveys.

Although permitted, at this time no NEO or director has or intends to purchase financial instruments that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director.

Elements of the Compensation Program

The total compensation plan for NEOs consists of a base compensation structure and equity-based compensation program in the form of stock options. The compensation program for our senior management is designed with a view that the level and form of compensation achieves certain objectives, including:

- (a) attracting and retaining qualified executives;
- (b) motivating the short and long-term performance of these executives; and
- (c) better aligning their interests with those of the Company's shareholders.

In compensating our senior management, we have arranged for equity participation through our 2012 Incentive Stock Option Plan.

Base Salary

The base salary component of NEO compensation is intended to provide a fixed level of competitive pay that reflects each NEO's primary duties and responsibilities. The policy of Body and Mind is that salaries for its NEOs are competitive within its industry and generally set at the median salary level among entities its size.

Stock Options

Effective October 25, 2012, our Board adopted the 2012 Incentive Stock Option Plan (the "**2012 Incentive Stock Option Plan**"). The purpose of the 2012 Incentive Stock Option Plan is to enhance the long-term shareholder value by offering opportunities to our directors, executive officers, key employees and eligible consultants to acquire our Common Shares in order to give these persons the opportunity to participate in our growth and success, and to encourage them to remain in the service of the Company.

Previous grants will be taken into account when considering new grants and a maximum of 10% of the number of our issued and outstanding Common Shares are available for issuance under the 2012 Incentive Stock Option Plan. There are currently 7,553,000 stock options issued under the 2012 Incentive Stock Option Plan.

Compensation Governance

Our Compensation Committee is responsible for recommending to our Board of Directors the compensation to be paid to our directors and executive officers. We do not have any formal compensation policies and the practices adopted by the Compensation Committee and our Board of Directors to determine the compensation for our directors and executive officers is described above.

Summary Compensation Table

Michael Mills, our President, Chief Executive Officer and director, Dong Shim, our Chief Financial Officer and director, Darren Tindale, our Corporate Secretary and former Chief Financial Officer, and Stephen Hoffman, our Chief Operating Officer and director are NEOs for the purposes of the following disclosure.

The compensation for those NEOs, directly or indirectly, for our most recently completed financial years ended July 31, 2022 and 2021 are as follows:

Name and Principal Position	Fiscal Year	Salary (CAD\$)	Share-based awards (CAD\$)	Option-based awards (CAD\$)	Non-equity incentive plan compensation (\$)		Nonqualified deferred compensation earnings (\$)	All other compensation (\$)	Total compensation (CAD\$)
					Annual incentive plans	Long-term incentive plans			
Michael Mills ⁽¹⁾ President, CEO and director	2022	361,036	-	118,120	-	-	-	-	479,156
	2021	203,255	-	215,872	-	-	-	-	419,127
Dong Shim ⁽²⁾ CFO and Director	2022	170,908	-	70,210	-	-	-	-	241,118
	2021	139,386	-	156,683	-	-	-	-	296,069
Darren Tindale ⁽³⁾ Secretary and Former CFO	2022	111,341	-	26,673	-	-	-	-	138,014
	2021	90,375	-	80,483	-	-	-	-	170,858
Stephen Hoffman ⁽⁴⁾ COO and Director	2022	185,000	-	117,670	-	-	-	-	302,670
	2021	185,000	-	226,166	-	-	-	-	406,166

Notes:

- (1) Mr. Mills was appointed a President and Interim CEO on Aug. 21, 2019. Mr. Mills was elected as a director on January 23, 2020 and was appointed full-time CEO on April 30, 2020.

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- (2) Mr. Shim was appointed CFO in December 2016. He resigned on March 6, 2017 and was reappointed as interim CEO in August 2017 and resigned on November 14, 2017 when Mr. Clough was appointed as CEO. Mr. Shim was appointed CFO on August 21, 2019.
- (3) Mr. Tindale was appointed CFO on March 7, 2017. Mr. Tindale resigned as the CFO on August 21, 2019 and was appointed Corporate Secretary on the same date.
- (4) Mr. Hoffman was appointed COO on November 15, 2018 and was appointed a director on March 1, 2020.

During our most recently completed financial years, we did not pay any other executive compensation to our NEOs.

Incentive Plan Awards

The stock options to purchase shares of our common stock that we granted to our NEOs during the fiscal year ended July 31, 2022 was on November 30, 2021 as set out in the table below.

	Date of Option Grant	# of Options	Fair Value (CAD\$)
Michael Mills	November 30, 2021	224,000	62,962
Stephen Hoffman	November 30, 2021	224,000	62,962

Outstanding Equity Awards Held by Named Executive Officers at Fiscal Year End

The following table sets forth information as of July 31, 2022, relating to outstanding equity awards held by each NEO:

Outstanding Equity Awards at Year End

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) (exercisable)	Number of Securities Underlying Unexercised Options (#) (unexercisable)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (CAD\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Michael Mills ⁽¹⁾	175,000	N/A	N/A	0.41	06/06/2023				
	100,000	N/A	N/A	0.57	12/10/2023				
	250,000	N/A	N/A	0.88	08/21/2024				
	200,000	N/A	N/A	0.88	01/23/2025				
	275,000	N/A	N/A	0.67	04/30/2025				
	125,000	125,000	N/A	0.68	03/06/2026				
	56,000	168,000	N/A	0.44	11/30/2026	N/A	N/A	N/A	N/A
Dong Shim ⁽²⁾	200,000	N/A	N/A	0.66	11/24/2022				
	250,000	N/A	N/A	0.57	12/10/2023				
	250,000	N/A	N/A	0.88	08/21/2024				
	200,000	N/A	N/A	0.67	04/30/2025				
	125,000	125,000	N/A	0.68	03/06/2026	N/A	N/A	N/A	N/A
Darren Tindale ⁽³⁾	200,000	N/A	N/A	0.66	11/24/2022				
	250,000	N/A	N/A	0.57	12/10/2023				
	250,000	N/A	N/A	0.88	08/21/2024				
	50,000	N/A	N/A	0.67	04/30/2025				
	50,000	50,000	N/A	0.68	03/06/2026	N/A	N/A	N/A	N/A
Stephen Hoffman ⁽⁴⁾	175,000	N/A	N/A	0.57	12/10/2023				
	350,000	N/A	N/A	0.88	08/21/2024				
	250,000	N/A	N/A	0.405	03/01/2025				
	250,000	N/A	N/A	0.67	04/30/2025				
	125,000	125,000	N/A	0.68	03/06/2026				
	56,000	168,000	N/A	0.44	11/30/2026	N/A	N/A	N/A	N/A

Notes:

- (1) Mr. Mills was appointed a President and Interim CEO on Aug. 21, 2019. Mr. Mills was elected as a director on January 23, 2020 and was appointed full-time CEO on April 30, 2020.

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- (2) Mr. Shim was appointed CFO in December 2016. He resigned on March 6, 2017 and was reappointed as interim CEO in August 2017 and resigned on November 14, 2017 when Mr. Clough was appointed as CEO. Mr. Shim was appointed CFO on August 21, 2019.
- (3) Mr. Tindale was appointed CFO on March 7, 2017. Mr. Tindale resigned as the CFO on August 21, 2019 and was appointed Corporate Secretary on the same date.
- (4) Mr. Hoffman was appointed COO on November 15, 2018 and appointed as a director on March 1, 2020.

Pension Plan Benefits

We have no pension plans that provide for payments or benefits at, following or in connection with retirement.

Director Compensation

We do not currently provide any compensation to our directors in their capacity as such. As a result, none of our directors received any cash compensation in any form during our most recently completed financial year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information concerning the number of shares of our common stock owned beneficially as of January 13, 2023 by (i) each person (including any group) known to us to own more than 5% of any class of our voting securities, (ii) each of our officers and directors, and (iii) our officers and directors as a group. Unless otherwise indicated, it is our understanding and belief that the shareholders listed possess sole voting and investment power with respect to the shares shown.

Name and Address of Beneficial Owner ⁽¹⁾	Amount and Nature of Beneficial Ownership ⁽¹⁾	Percentage of Beneficial Ownership
Directors and Officers:		
Michael Mills , President, Chief Executive Officer and Director c/o Suite 750,1095 West Pender Street Vancouver, British Columbia, Canada, V6E 2M6	1,586,000(2)	1.1%
Darren Tindale , Corporate Secretary c/o Suite 750,1095 West Pender Street Vancouver, British Columbia, Canada, V6E 2M6	750,000(3)	*
Brent Reuter , Director c/o Suite 750,1095 West Pender Street Vancouver, British Columbia, Canada, V6E 2M6	500,000(4)	*
Stephen (Trip) Hoffman , Chief Operating Officer c/o Suite 750,1095 West Pender Street Vancouver, British Columbia, Canada, V6E 2M6	1,457,000(5)	1.0%
Dong Shim , Chief Financial Officer and Director c/o Suite 750,1095 West Pender Street Vancouver, British Columbia, Canada, V6E 2M6	1,136,460(6)	* %
Alexis Podesta , Director c/o Suite 750,1095 West Pender Street Vancouver, British Columbia, Canada, V6E 2M6	250,000(7)	*
All directors and executive officers as a group (6 persons)	5,679,460(8)	3.7%
Major Stockholders:		
Not applicable		

Notes:

* Less than one percent.

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- (1) Under Rule 13d-3 of the Exchange Act, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares: (i) voting power, which includes the power to vote, or to direct the voting of such security; and (ii) investment power, which includes the power to dispose or direct the disposition of the security. Certain shares of common stock may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares of common stock are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares of common stock outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of common stock of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of shares of common stock actually outstanding as of the date of this Proxy Statement. As of January 13, 2023, there were 146,636,974 shares of common stock of the Company issued and outstanding.
- (2) This figure represents (i) 188,000 shares of common stock held by Mr. Mills, (ii) 18,000 shares of common stock held by Mr. Mills' wife, (iii) warrants to purchase 18,000 shares of common stock registered directly to Mr. Mills' wife, and (iv) stock options to purchase 1,362,000 shares of common stock which have vested or will vest within 60 days of the date thereof.
- (3) This figure represents (i) 100,000 shares of common stock held by Mr. Tindale's wife, and (ii) stock options to purchase 650,000 shares of common stock which have vested or will vest within 60 days of the date hereof.
- (4) This figure represents stock options to purchase 500,000 shares of common stock which have vested or will vest within 60 days of the date hereof.
- (5) This figure represents (i) 70,000 shares of common stock held by Mr. Hoffman, and (ii) stock options to purchase 1,387,000 shares of common stock which have vested or will vest within 60 days of the date hereof.
- (6) This figure represents (i) 138,460 shares of common stock held by Mr. Shim, (ii) warrants to purchase 48,000 shares of common stock registered directly to Mr. Shim, and (iii) stock options to purchase 950,000 shares of common stock which have vested or will vest within 60 days of the date hereof.
- (7) This figure represents stock options to purchase 250,000 shares of common stock which have vested.
- (8) This figure represents (i) 514,460 shares of common stock, (ii) 66,000 shares of common stock issuable upon exercise of warrants, and (iii) stock options to purchase 5,099,000 shares of common stock, which have vested or will vest within 60 days of the date hereof.

Changes in Control

We are unaware of any contract, or other arrangement or provision, the operation of which may at a subsequent date result in a change of control of our Company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Related Party Transactions

Except as described herein, none of the following parties (each a "Related Party") has had any material interest, direct or indirect, in any transaction with us or in any presently proposed transaction that has or will materially affect us:

- any of our directors or officers;
- any person proposed as a nominee for election as a director;
- any person who beneficially owns, directly or indirectly, shares carrying more than 10% of the voting rights attached to our outstanding shares of common stock; or
- any member of the immediate family (including spouse, parents, children, siblings and in-laws) of any of the above persons.

Related Party Transactions during the year ended July 31, 2022

	Accounts Payable	Consulting Fees
Dong Shim (Director and CFO)	\$ 10,780	\$ 134,693
Darren Tindale (Former CFO & Corporate Secretary)	\$ 18,898	\$ 87,748
Michael Mills (President & Interim CEO)	\$ 102,480	\$ 284,533

Included in stock-based compensation for the year ended 31 July 2022 is \$262,180 (2021 - \$673,097) related to stock options issued to directors and officers of the Company.

Our Board reviews any proposed transaction involving Related Parties and considers whether such transactions are fair and reasonable and in the Company's best interests.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Fees and Services

The following is an aggregate of fees billed for each of the last two fiscal years for professional services rendered by our current and prior principal accountants:

	2022	2021
Audit fees	\$ 279,920	\$ 225,850
Audit-related fees	107,560	4,858
Tax fees	Nil	Nil
All other fees	Nil	Nil
Total fees paid or accrued to our principal accountants	\$ 387,480	\$ 230,708

Audit Fees

Audit fees are the aggregate fees billed for professional services rendered by our independent auditors for the audit of our annual financial statements, the review of the financial statements included in each of our quarterly reports and services provided in connection with statutory and regulatory filings or engagements.

Audit Related Fees

Audit related fees are the aggregate fees billed by our independent auditors for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not described in the preceding category.

Tax Fees

Tax fees are billed by our independent auditors for tax compliance, tax advice and tax planning.

All Other Fees

All other fees include fees billed by our independent auditors for products or services other than as described in the immediately preceding three categories.

Pre-Approval of Services by the Independent Auditor

Our policy is to pre-approve all audit and permissible non-audit services performed by the independent accountants. These services may include audit services, audit-related services, tax services and other services. Under our audit committee's policy, pre-approval is generally provided for particular services or categories of services, including planned services, project based services and routine consultations. In addition, the audit committee may also pre-approve particular services on a case-by-case basis. We approved all services that our independent accountants provided to us in the past two fiscal years.

ITEM 15 – EXHIBITS

The following exhibits are filed as part of this Annual Report.

Exhibit No.	Document
2.1⁽¹⁾	Share Exchange Agreement among Deploy, NMG and NMG Members dated September 14, 2017
2.2⁽¹⁰⁾	Asset Purchase Agreement between NMG Long Beach, LLC, The Airport Collective, Inc. and Green Light District Holdings, Inc., dated June 19, 2019
2.3⁽¹⁸⁾	Agreement and Plan of Merger between Body and Mind Inc., DEP Nevada, Inc., BaM Body and Mind Dispensary NJ, Inc., CraftedPlants NJ Corp. and the shareholders of CraftedPlants NJ Corp., dated December 21, 2022
3.1⁽¹⁾	Articles of Incorporation
3.2⁽¹⁾	Articles of Merger dated September 17, 2010
3.3^(*)	Amended and Restated Bylaws
3.4⁽¹⁾	Certificate of Amendment dated September 30, 2011
3.5⁽¹⁾	Certificate of Amendment dated September 2, 2014
3.6⁽¹⁾	Certificate of Change dated November 11, 2014
3.7⁽¹⁾	Certificate of Amendment dated April 11, 2017
3.8⁽¹⁾	Certificate of Amendment dated November 14, 2017
3.9⁽¹⁾	Certificate of Change dated November 14, 2017
3.10⁽¹⁾	Articles of Exchange dated December 6, 2017
3.11⁽¹⁾	Certificate of Correction dated December 6, 2017
4.1⁽¹⁾	2012 Incentive Stock Option Plan
4.2^(*)	Description of Registrant’s Securities
10.1⁽¹⁾	Assignment and Novation Agreement dated May 12, 2017
10.2⁽¹⁾	Amendment to Assignment and Novation Agreement dated November 13, 2017
10.3⁽¹⁾	Consulting Agreement with TI Nevada dated November 14, 2017
10.4⁽¹⁾	Consulting Agreement with Toro dated November 14, 2017
10.5⁽¹⁾	Lease Agreement dated November 10, 2017
10.6⁽¹⁾	Promissory Note issued by the Company to KAJ Universal Real Estate Investments, LLC dated November 14, 2017
10.7⁽¹⁾	Promissory Note issued by the Company to MBK Investments, LLC dated November 14, 2017
10.8⁽¹⁾	Promissory Note issued by the Company to NV Trees, LLC dated November 14, 2017
10.9⁽¹⁾	Promissory Note issued by the Company to The Rozok Family Trust dated November 14, 2017
10.10⁽¹⁾	Promissory Note issued by the Company to SW Fort Apache, LLC dated November 14, 2017
10.11⁽¹⁾	Master Promissory Note issued by the Company to TI Nevada, LLC dated November 14, 2017
10.12⁽²⁾	Pepper Lane North LLC - Operating Agreement
10.13⁽²⁾	Pepper Lane North LLC – Lease Termination Agreement
10.14⁽³⁾	Investment Agreement between Australis Capital Inc. and Body and Mind Inc., dated October 30, 2018
10.15⁽³⁾	Form of Amending Agreement between Body and Mind Inc., DEP Nevada Inc., Nevada Medical Group LLC and the Vendors, dated November 2, 2018
10.16⁽⁴⁾	Letter Agreement between Body and Mind Inc., Green Light District Holdings Inc. and David Barakett, dated November 28, 2018
10.17⁽⁴⁾	Security Agreement between Green Light District Holdings Inc. and Body and Mind Inc., dated November 28, 2018
10.18⁽⁴⁾	Loan Agreement between Body and Mind Inc. and Australis Capital Inc., dated November 28, 2018
10.19⁽⁴⁾	General Security Agreement between Body and Mind Inc. and Australis Capital Inc., dated November 28, 2018
10.20⁽⁵⁾	Membership Interest Purchase Agreement between Nevada Medical Group, LLC, NMG Ohio, LLC and each of the members of NMG Ohio, LLC, dated January 31, 2019
10.21⁽⁵⁾	Investment Agreement between Australis Capital Inc. and Body and Mind Inc., dated January 31, 2019
10.22⁽⁶⁾	Convertible Loan Agreement between DEP Nevada Inc. and Comprehensive Care Group LLC, dated effective March 15, 2019
10.23⁽⁶⁾	Convertible Promissory Note issued by Comprehensive Care Group LLC to DEP Nevada Inc., dated effective March 15, 2019

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10.24(6)	Management Agreement between Nevada Medical Group LLC and Comprehensive Care Group LLC, dated effective March 15, 2019
10.25(7)	Agency Agreement, dated May 17, 2019, between Body and Mind Inc., M Partners Inc. and PI Financial Corp.
10.26(7)	Form of Subscription Agreement
10.27(7)	Form of Warrant
10.28(7)	Form of Broker Warrant
10.29(7)	Form of Lock Up Agreement
10.30(8)	Management and Administrative Services between Satellites Dip, LLC and NMG Cathedral City, LLC, dated June 6, 2019
10.31(8)	Equipment Lease Agreement between NMG Cathedral City, LLC and Satellites Dip, LLC, dated June 6, 2019
10.32(8)	Loan and Security Agreement between Satellites Dip, LLC and NMG Cathedral City, LLC, dated June 6, 2019
10.33(9)	Conversion Agreement between Body and Mind Inc. and Australis Capital Inc., dated July 1, 2019
10.34(10)	Settlement and Release Agreement between Body and Mind Inc., NMG Long Beach, LLC, NMG San Diego, LLC, Green Light District Holdings, Inc., The Airport Collective, Inc., David Barakett and SGSD, LLC, dated June 19, 2019
10.35(10)	Amended and Restated Settlement and Release Agreement between Body and Mind Inc., NMG Long Beach, LLC, NMG San Diego, LLC, Green Light District Holdings, Inc., The Airport Collective, Inc., David Barakett and SGSD, LLC, dated June 28, 2019
10.36(10)	Loan Agreement between Green Light District Holdings, Inc. and Body and Mind Inc., dated June 19, 2019
10.37(10)	Trademark and Technology License and Services Agreement between Green Light District Management, LLC, Green Light District Holdings, Inc., The Airport Collective, Inc. and Body and Mind Inc., dated June 19, 2019
10.38(10)	Management Assignment and Assumption Agreement between Green Light District Holdings, Inc., NMG Long Beach, LLC and The Airport Collective, Inc., dated June 19, 2019
10.39(10)	Barakett Consulting Agreement between NMG Long Beach, LLC and David Barakett, dated June 19, 2019
10.40(10)	Contemporaneous Loan Agreement between Green Light District Holdings, Inc. and Body and Mind Inc., dated June 19, 2019
10.41(10)	Assignment and First Amendment to Commercial Lease between Green Road, LLC, David Barakett, SGSD, LLC and NMG San Diego, LLC, dated June 13, 2019
10.42(10)	Litigation Loan and Security Agreement between Green Light District Holdings, Inc. and Body and Mind Inc., dated June 19, 2019
10.43(11)	Settlement and Release Agreement between NMG Cathedral City, LLC and Satellites Dip, LLC, dated November 30, 2019
10.44(11)	Brand Director Agreement between NMG Cathedral City, LLC and Satellites Dip, LLC, dated November 30, 2019
10.45(11)	Brand License Agreement between DEP Nevada Inc. and Satellites Dip, LLC, dated November 30, 2019
10.46(11)	Equipment Purchase Agreement between Satellites Dip, LLC and NMG Cathedral City, LLC, dated November 30, 2019
10.47(11)	First Amendment to Equipment Lease Agreement between NMG Cathedral City, LLC and Satellites Dip, LLC, dated November 30, 2019
10.48(11)	Release & Satisfaction of Loan Agreement between NMG Cathedral City, LLC and Satellites Dip, LLC, dated November 30, 2019

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10.49(12)	Amended and Restated Consulting Agreement between Body and Mind Inc., Fairlawn Capital Partners Ltd. and Michael Mills, dated January 18, 2021
10.50(12)	Amended and Restated Consulting Agreement between Body and Mind Inc., Golden Tree Capital Corp. and Dong H. Shim, dated January 18, 2021
10.51(12)	Amended and Restated Employment Agreement between Body and Mind Inc. and Stephen 'Trip' Hoffman, dated January 18, 2021
10.52(*)	Second Amended and Restated Consulting Agreement with Fairlawn Capital Partners Ltd. and Michael Mills, dated effective June 1, 2021
10.53(*)	Second Amended and Restated Consulting Agreement with Golden Tree Capital Corp. and Dong H. Shim, dated effective June 1, 2021
10.54(*)	Second Amended and Restated Employment Agreement with Stephen 'Trip' Hoffman, dated effective June 1, 2021
10.55(13)	Loan Agreement between Body and Mind Inc., 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., NMG MI C1, Inc., FG Agency Lending LLC and Bomind Holdings LLC, dated July 19, 2021
10.56(13)	Security Agreement between Body and Mind Inc., 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., NMG MI C1, Inc., and FG Agency Lending LLC, dated July 19, 2021
10.57(13)	Pledge Agreement between Body and Mind Inc., DEP Nevada Inc., Nevada Medical Group, LLC, and FG Agency Lending LLC, dated July 19, 2021
10.58(13)	Omnibus Collateral Assignment between Body and Mind Inc., DEP Nevada Inc., Nevada Medical Group, LLC, NMG MI 1, Inc., NMG MI C1, Inc., NMG MI P1, Inc., and FG Agency Lending LLC, dated July 19, 2021
10.59(13)	Intercompany Subordinated Demand Promissory Note between Body and Mind Inc., DEP Nevada Inc., Nevada Medical Group, LLC, 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, dated July 19, 2021
10.60(13)	Term Note, dated July 19, 2021, issued by Body and Mind Inc. to FG Agency Lending LLC, as agent
10.61(13)	Warrant to Purchase 4,800,000 Common Shares, dated July 19, 2021, issued by Body and Mind Inc. to FG Agency Lending LLC
10.62(13)	Warrant to Purchase 3,200,000 Common Shares, dated July 19, 2021, issued by Body and Mind Inc. to FG Agency Lending LLC
10.63(14)	Membership Interest Purchase Agreement between DEP Nevada, Inc., Canopy Monterey Bay, LLC, Cary Stiebel, Jana Stiebel, Jayme Rivard, Adrian Dermicek and Laurie Johnson, dated November 30, 2021
10.64(14)	Secured Promissory Note in the amount of \$2,300,000 between DEP Nevada, Inc. and Cary Stiebel, Jana Stiebel, Jayme Rivard, Adrian Dermicek and Laurie Johnson, dated November 30, 2021
10.65(14)	Security Agreement between Canopy Monterey Bay, LLC and Cary Stiebel, Jana Steibel, Jayme Rivard, Adrian Dermicek and Laurie Johnson, dated November 30, 2021
10.66(14)	Holding Escrow Instructions between DEP Nevada, Inc., Canopy Monterey Bay, LLC, Cary Stiebel, Jana Stiebel, Jayme Rivard, Adrian Dermicek, Laurie Johnson and Secured Trust Escrow, Inc., dated November 30, 2021
10.67(14)	Landlord Consent to Change of Tenant 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, Canopy Monterey Bay, LLC and Body and Mind Inc., dated November 30, 2021
10.68(14)	Membership Interest Purchase Agreement between DEP Nevada, Inc., and Cary Stiebel, dated November 30, 2021
10.69(15)	Amendment No. 1 to Loan Agreement between Body and Mind Inc., 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 P1, LLC, NMG CA C1, LLC, NMG MI 1, Inc., NMG MI P1, Inc., NMG MI C1, Inc., FG Agency Lending LLC and Bomind Holdings LLC, dated November 30, 2021
10.70(16)	Amendment No. 2 to Loan Agreement between Body and Mind Inc., 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., NMG MI C1, Inc., FG Agency Lending LLC and Bomind Holdings LLC, dated June 14, 2022
10.71(16)	Warrant to Purchase 1,000,000 Common Shares, dated June 14, 2022, issued by Body and Mind Inc. to Bomind Holdings LLC

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10.72⁽¹⁷⁾	First Amendment to Membership Interest Purchase Agreements between DEP Nevada, Inc., Canopy Monterey Bay, LLC, Cary Stiebel, Jana Stiebel, Jayme Rivard, Adrian Dermicek and Laurie Johnson, dated June 17, 2022.
10.73⁽¹⁸⁾	Limited Waiver and Amendment to Loan Agreement between Body and Mind Inc., DEP Nevada, Inc., Nevada Medical Group, LLC, 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, FG Agency Lending LLC and Bomind Holdings LLC, dated December 12, 2022
10.74⁽¹⁸⁾	Consent and Amendment to Loan Agreement between Body and Mind Inc., FG Agency Lending LLC and Bomind Holdings LLC, dated December 16, 2022
10.75⁽¹⁸⁾	Form of Securities Purchase Agreement between Body and Mind Inc. and each of BAM I, A Series of Bengal Catalyst Fund SPV, LP, Mindset Value Fund LP and Mindset Value Wellness Fund LP, dated December 19, 2022
10.76⁽¹⁸⁾	Form of Debenture, dated December 19, 2022, issued by Body and Mind Inc. to each of BAM I, A Series of Bengal Catalyst Fund SPV, LP, Mindset Value Fund LP and Mindset Value Wellness Fund LP
10.77⁽¹⁹⁾	Form of Warrant, dated December 19, 2022, issued by Body and Mind Inc. to each of BAM I, A Series of Bengal Catalyst Fund SPV, LP, Mindset Value Fund LP and Mindset Value Wellness Fund LP
10.78⁽¹⁸⁾	Registration Rights Agreement between Body and Mind Inc., BAM I, A Series of Bengal Catalyst Fund SPV, LP, Mindset Value Fund LP and Mindset Value Wellness Fund LP, dated December 19, 2022
10.79⁽¹⁸⁾	Subordination Agreement BAM I, A Series of Bengal Catalyst Fund SPV, LP, Mindset Value Fund LP and Mindset Value Wellness Fund LP, Body and Mind Inc., DEP Nevada, Inc., Nevada Medical Group, LLC, 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 FG Agency Lending LLC, dated December 19, 2022
21.1(*)	Subsidiaries of Body and Mind Inc.
23.1(*)	Consent of Independent Auditors, Sadler, Gibb & Associates, LLC
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.
99.1(1)	Form of Voluntary Pooling Agreement with NMG Members
99.2(1)	Escrow Agreement with principals of Deploy dated November 10, 2017
99.3(1)	Form of Pooling Agreement with certain securityholders of the Company
99.4(1)	Amendment to Pooling Agreement with certain securityholders of the Company
99.5(1)	Certification as Medical Marijuana Cultivation Establishment dated November 5, 2017
99.6(1)	Certification as Medical Marijuana Production Establishment dated December 10, 2017
99.7(1)	Conditional Cultivation Business License dated January 1, 2018
99.8(1)	Conditional Production Business License dated January 1, 2018
99.9(1)	Clark County Limited Cultivation Business License dated January 1, 2018
99.10(2)	Conditional Cultivation Business License dated July 1, 2018
99.11(2)	Conditional Production Business License dated July 1, 2018
99.12(2)	Nevada State Business License for NMG dated January 30, 2018
99.13(2)	State of Nevada Medical Marijuana Cultivation Registration Certificate

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99.14(2)	State of Nevada Medical Marijuana Production Registration Certificate
99.15(2)	State of Nevada Marijuana Cultivation Facility License
99.16(2)	State of Nevada Marijuana Product Manufacturing License
99.17(11)	Consulting Agreement between Body and Mind Inc., Fairlawn Capital Partners Ltd. and Michael Mills, dated August 21, 2019
99.18(11)	Consulting Agreement between Body and Mind Inc., Toro Pacific Management Inc. and Leonard Clough, dated August 21, 2019
99.19(11)	Consulting Agreement between Body and Mind Inc., Golden Tree Capital Corp. and Dong H. Shim, dated August 21, 2019
99.20(11)	Consulting Agreement between Body and Mind Inc., Stonerock Financial Ltd. and Darren Tindale, dated August 21, 2019
99.21(11)	Employment Agreement between Body and Mind Inc. and Stephen 'Trip' Hoffman, dated effective November 15, 2018
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 Pate Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

Notes:

(*) Filed herewith.

- (1) Previously filed as an exhibit to our Form 10 filed with the SEC on June 1, 2018.
- (2) Previously filed as an exhibit to our Form 10 filed with the SEC on October 30, 2018.
- (3) Previously filed as an exhibit to our Current Report on Form 8-K filed with the SEC on November 5, 2018
- (4) Previously filed as an exhibit to our Current Report on Form 8-K filed with the SEC on December 4, 2018
- (5) Previously filed as an exhibit to our Current Report on Form 8-K filed with the SEC on February 6, 2019
- (6) Previously filed as an exhibit to our Current Report on Form 8-K filed with the SEC on March 21, 2019
- (7) Previously filed as an exhibit to our Current Report on Form 8-K filed with the SEC on May 22, 2019
- (8) Previously filed as an exhibit to our Current Report on Form 8-K filed with the SEC on June 11, 2019
- (9) Previously filed as an exhibit to our Current Report on Form 8-K filed with the SEC on July 8, 2019
- (10) Previously filed as an exhibit to our Current Report on Form 8-K filed with the SEC on July 18, 2019
- (11) Previously filed as an exhibit to our Quarterly Report on Form 10-Q filed with the SEC on December 23, 2019
- (12) Previously filed as an exhibit to our Quarterly Report on Form 10-Q filed with the SEC on February 1, 2021
- (13) Previously filed as an exhibit to our Current Report on Form 8-K filed with the SEC on July 23, 2021
- (14) Previously filed as an exhibit to our Current Report on Form 8-K filed with the SEC on December 6, 2021
- (15) Previously filed as an exhibit to our Quarterly Report on Form 10-Q filed with the SEC on December 15, 2021
- (16) Previously filed as an exhibit to our Current Report on Form 8-K filed with the SEC on June 21, 2022
- (17) Previously filed as an exhibit to our Quarterly Report on Form 10-Q filed with the SEC on June 21, 2022
- (18) Previously filed as an exhibit to our Current Report on Form 8-K filed with the SEC on December 23, 2022
- (19) Previously filed as an exhibit to our Current Report on Form 8-K/A filed with the SEC on January 17, 2023

ITEM 16 – FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: January 17, 2023

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

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Dated: January 17, 2023

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

Dated: January 17, 2023

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

Dated: January 17, 2023

By: /s/ Stephen Hoffman
Stephen Hoffman,
Chief Operating Officer and Director

Dated: January 17, 2023

By: /s/ Alexis Podesta
Alexis Podesta, Director

Dated: January 17, 2023

By: /s/ Brent Reuter
Brent Reuter, Director

AMENDED AND RESTATED

BYLAWS

OF

BODY AND MIND INC.

ARTICLE I

GENERAL

The provisions of this document constitute the Bylaws of Body and Mind Inc. (formerly Deploy Technologies, Inc.), a Nevada corporation, hereinafter referred to as the Corporation, which Bylaws shall be utilized to govern the management and operation of the Corporation.

ARTICLE II

OFFICES AND AGENCY

Section 1. Registered Office and Registered Agent.

The registered office of the Corporation shall be located in the State of Nevada at such place as may be fixed from time to time by the Board of Directors of the Corporation, the members of which shall be hereinafter referred to as Directors, upon filing of such notices as may be required by law, and the registered agent shall have a business office identical with such registered office.

Section 2. Other Offices.

The Corporation may have other offices within or outside the State of Nevada at such place or places as the Board of Directors may from time to time determine.

ARTICLE III

STOCKHOLDERS

Section 1. Closing Transfer Books.

For the purpose of determining stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend, or in order to make a determination of stockholders for any other purpose, the Board of Directors may provide that the stock transfer books shall be closed for a stated period not to exceed, in any case, sixty (60) days. If the stock transfer books shall be closed for the purpose of determining stockholders entitled to notice of, or to vote at, a meeting of stockholders, such books shall be closed for at least ten (10) days immediately preceding such meeting.

Section 2. Fixing Record Date.

In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any determination of stockholders, such date in any case to be not more than sixty (60) days and, in case of a meeting of stockholders, not less than ten (10) days prior to the date on which the particular action requiring such determination of stockholders is to be taken.

Section 3. Other Determination of Stockholders.

If the stock transfer books are not closed and no record date is fixed for the determination of stockholders entitled to notice of or to vote at a meeting of stockholders or stockholders entitled to receive payment of a dividend the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of stockholders.

Section 4. Adjourned Meetings.

When a determination of stockholders entitled to vote at any meeting of stockholders has been made as provided in this Article, such determination shall apply to any adjournment thereof, unless the Board of Directors fixes a new record date for the adjourned meeting.

Section 5. Record of Stockholders.

- (a) If the Corporation has six or more stockholders of record, the officer or agent having charge of the stock transfer books for shares of the Corporation shall make, at least ten (10) days before each meeting of stockholders, a complete list of the stockholders entitled to vote at such meeting or any adjournment thereof, with the address of and the number and class and series, if any, of shares held by each. The list shall be kept on file at the registered office of the Corporation, at the principal place of business of the Corporation or at the office of the transfer agent or registrar of the Corporation for a period of ten (10) days prior to such meeting and shall be subject to inspection by any stockholder at any time during usual business hours. The list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any stockholder at any time during the meeting.
- (b) If the requirements of paragraph (a) above have not been substantially complied with, the meeting, on demand of any stockholder in person or by proxy, shall be adjourned until the requirements are complied with. If no such demand is made, failure to comply with the requirements of paragraph (a) shall not affect the validity of any action at such meeting.

ARTICLE IV STOCKHOLDERS' MEETINGS

Section 1. Annual Meetings.

The annual meeting of the stockholders for the election of Directors and for the transaction of such other business as may properly come before the meeting, shall be held each year within seven months after the end of the fiscal year, or at such other time as the Board of Directors or stockholders shall direct; provided, however, that the annual meeting for any year shall be held at no later than thirteen (13) months after the last preceding annual meeting of stockholders.

Section 2. Special Meetings.

Special meetings of the stockholders for any purpose may be called at any time by the President of the Corporation, Board of Directors, or the holders of not less than ten percent (10%) of all shares entitled to vote at the meeting.

Section 3. Place of Meetings.

All meetings of the stockholders shall be at the principal place of business of the Corporation or at such other place, either within or without the State of Nevada, as the Board of Directors or the stockholders may from time to time designate.

Section 4. Notice.

Written or printed notice stating the place, day and hour of any meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be given to each stockholder of record entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before the meeting, by or at the direction of the President, the Secretary or other persons calling the meeting. Notice to stockholders shall be given by personal delivery, by first class U.S. Mail or by telephone facsimile with receipt confirmed; and, if mailed, such notice shall be deemed to be delivered when deposited, the deposit thereof certified by the Secretary of the Corporation, in the United States mail addressed to the stockholder at his address as it appears on the stock transfer books of the Corporation, with postage thereon prepaid.

Section 5. Adjourned Meetings.

A majority of the stockholders present, whether or not a quorum exists, may adjourn any meeting of the stockholders to another time and place. Notice of any such adjourned meeting, or of the business to be transacted thereat need not be given of any adjourned meeting if the time and place of the adjourned meeting are announced at the time of the adjournment, unless the time of the adjourned meeting is more than thirty days after the meeting at which the adjournment is taken.

Section 6. Waiver of Notice.

A written waiver of notice signed by any stockholder, whether before or after any meeting, shall be equivalent to the giving of timely notice to said stockholder. Attendance of a stockholder at a meeting shall constitute a waiver of notice of such meeting and a waiver of any and all objections to the place of the meeting, the time of the meeting, or the manner in which it has been called or convened, except when a stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice.

Section 7. Quorum and Voting.

- (a) Stockholders representing ten (10) percent of the shares entitled to vote in attendance at any meeting of stockholders, shall constitute a quorum for the transaction of business at such meeting, unless otherwise specifically provided by these Bylaws or applicable law. When a specified item of business is required to be voted on by a class or series of stock, ten (10) percent of the shares of such class or series shall constitute a quorum for the transaction of such item of business by that class or series. Attendance shall be either in person, by proxy, or by telephonic or radio connection whereby the distant stockholder and those stockholders present in person all hear and may speak to and be heard on the matters raised therein.
- (b) If a quorum is present, the affirmative vote of a majority of the shares represented at the meeting and entitled to vote on the subject matter shall be the act of the stockholders, unless the vote of a greater number or voting by classes is required by the Articles of Incorporation, these Bylaws or applicable law.
- (c) After a quorum has been established at a stockholders' meeting, the subsequent withdrawal of stockholders, so as to reduce the number of stockholders entitled to vote at the meeting below the number required for a quorum, shall not affect the validity of any action taken at the meeting or any adjournment thereof. The affirmative vote of a majority of the shares then represented at the meeting and entitled to vote on the subject matter shall be the act of the stockholders unless otherwise provided by the Articles of Incorporation, these Bylaws or applicable law.
- (d) A person entitled to vote shares at a meeting of the stockholders shall be deemed to have attended such meeting in person if such person has attended by telephone or radio connection whereby the distant person and the other stockholders present at such meeting all hear and may speak to and be heard on the matters raised therein.

Section 8. Voting of Shares.

- (a) Each outstanding share of common stock shall be entitled to one vote, unless otherwise provided in the Articles of Incorporation which authorize it, and each outstanding share of preferred stock shall be entitled to the number of votes provided in the Articles of Incorporation which authorize it, in each case on each matter submitted to a vote at a meeting of stockholders_
- (b) Treasury shares, shares of stock of the Corporation owned by another corporation of which the majority of the voting stock is owned or controlled by the Corporation, and shares of stock of the Corporation held by it in a fiduciary capacity shall not be voted, directly or indirectly, at any meeting, and shall not be counted in determining the total number of outstanding shares at any given time.

- (c) A stockholder may vote either in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact.
- (d) Shares standing in the name of another corporation, domestic or foreign, may be voted by the officer, agent, or proxy designated by the bylaws of the corporate stockholder; or, in the absence of any applicable bylaw, by such person as the Board of Directors of the corporate stockholder may designate. Proof of such designation may be made by presentation of a certified copy of the bylaws or other instrument of the corporate stockholder. In the absence of any such designation, or in case of conflicting designation by the corporate stockholder, the chairman of the board, president, any vice president, secretary and treasurer of the corporate stockholder shall be presumed to possess, in that order, authority to vote such shares.
- (e) Shares held by an administrator, executor, guardian or conservator may be voted by him, either in person or by proxy, without a transfer of such shares into his name. Shares standing in the name of a trustee may be voted by him, either in person or by proxy, but no trustee shall be entitled to vote shares held by him in trust without a transfer of such shares into his name.
- (f) Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his name if authority to do so is contained in an appropriate order of the court by which such receiver was appointed.
- (g) A stockholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee or his nominee shall be entitled to vote the shares so transferred.
- (h) On and after the date on which written notice of redemption of redeemable shares has been mailed to the holders thereof and a sum sufficient to redeem such shares has been deposited with a bank or trust company with irrevocable instruction and authority to pay the redemption price to the holders thereof upon surrender of certificates therefor, such shares shall not be entitled to vote on any matter and shall not be deemed to be outstanding shares.

Section 9. Proxies.

- (a) Every stockholder entitled to vote at a meeting of stockholders, or to express consent or dissent without a meeting or a stockholder's duly authorized attorney-in-fact, may authorize another person or persons to act for him by proxy.
- (b) Every proxy must be signed by the stockholder or his attorney-in-fact. No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the stockholder executing it, except as otherwise provided by law.
- (c) The authority of the holder of a proxy to act shall not be revoked by the incompetence or death of the stockholder who executed the proxy unless, before the authority is exercised, written notice of an adjudication of such incompetence or of such death is received by the corporate officer responsible for maintaining the list of stockholders.
- (d) If a proxy for the same shares confers authority upon two or more persons and does not otherwise provide, a majority of them present at the meeting, or if only one is present, then that one, may exercise all the powers conferred by the proxy; but if the proxy holders present at the meeting are equally divided as to the right and manner of voting in any particular case, the voting of such shares shall be prorated,
- (e) If a proxy expressly provides, any proxy holder may appoint, in writing, a substitute to act in his place.

Section 10. Voting Trusts.

Any number of stockholders of the Corporation may create a voting trust for the purpose of conferring upon a trustee or trustees the right to vote or otherwise represent their shares for a period not to exceed ten (10) years, as provided by law. A counterpart of the voting trust agreement and a copy of the record of the holders of voting trust certificates shall be deposited with the Corporation at its registered office as provided by law. These documents shall be subject to the same right of examination by a stockholder of the Corporation, in person or by agent or attorney, as are the books and records of the Corporation and shall also be subject to examination by any holder of record of voting trust certificates, either in person or by agent or attorney, at any reasonable time for any proper purpose.

Section 11. Stockholders' Agreements.

Two or more stockholders of the Corporation may enter a written agreement, signed by the parties thereto, providing for the exercise of voting rights in the manner provided in the agreement or relating to any phase of the affairs of the Corporation as provided by law. Nothing therein shall impair the right of the Corporation to treat the stockholders of record as entitled to vote the shares standing in their names.

Section 12. Action by Stockholders Without a Meeting.

- (a) Any action required by law, these Bylaws, or the Articles of Incorporation of the Corporation to be taken at any annual or special meeting of stockholders of the Corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. If any class of shares is entitled to vote thereon as a class, such written consent shall be required of the holders of a majority of the shares of each class of shares entitled to vote as a class thereon and of the total shares entitled to vote thereon.
- (b) Within ten (10) days after obtaining such authorization by written consent, notice shall be given to those stockholders who have not consented in writing. The notice shall fairly summarize the material features of the authorized action and, if the action be a merger, consolidation or sale or exchange of assets for which dissenters rights are provided under law, the notice shall contain a clear statement of the right of stockholders dissenting therefrom to be paid the fair value of their shares upon compliance with further provisions of the law regarding the rights of dissenting stockholders.

Section 13. New Business.

Any Stockholder of record may make a proposal of new business to be acted upon at an annual or special meeting of Stockholders, only if and provided written notice of such proposed new business is filed with the Secretary of the Corporation not less than five business days prior to the day of meeting, but no other proposal shall be acted upon at such meeting.

ARTICLE V DIRECTORS

Section 1. Function.

All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be managed under the direction of, the Board of Directors, except as may otherwise be provided by the Articles of Incorporation, these Bylaws or applicable law. The Board of Directors shall make appropriate delegations of authority to the officers and, to the extent permitted by law, by appropriate resolution, the Board of Directors may authorize one or more committees to act on its behalf when it is not in session.

Section 2. Qualification.

Directors need not be residents of the State of Nevada or stockholders of the Corporation.

Section 3. Compensation.

The Board of Directors shall have authority to fix the compensation of Directors.

Section 4. Duties of Directors.

- (a) A Director shall be expected to attend meetings, whether annual, or special, of the Board of Directors and of any committee to which the Director has been appointed.
- (b) A Director shall perform his duties as a Director, including his duties as a member of any committee of the Board of Directors upon which he may serve, in good faith, in a manner he reasonably believes to be in the best interests of the Corporation, and with such care as an ordinarily prudent person in a like position would use under similar circumstances.
- (c) In performing his duties, a Director shall be entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by:
 - (1) One or more officers or employees of the Corporation whom the Director reasonably believes to be reliable and competent in the matters presented;
 - (2) Counsel, public accountants or other persons as to matters which the Director reasonably believes to be within such persons' professional or expert competence; or
 - (3) A committee of the Board of Directors upon which he does not serve, duly designated in accordance with a provision of the Articles of Incorporation or these Bylaws, as to matters within its designated authority, which committee the Director reasonably believes to merit confidence.
- (d) A Director shall not be considered to be acting in good faith if he has knowledge concerning the matter in question that would cause such reliance described above to be unwarranted.
- (e) A person who performs his duties in compliance with this section shall have no liability by reason of being or having been a Director of the Corporation.

Section 5. Number.

The number of Directors of the Corporation shall be five (5). This number may be increased or decreased from time to time by amendment to these Bylaws or by election, whether by the stockholders or by the board of directors, of a number of persons as directors which exceeds at any time such number, but no decrease shall have the effect of shortening the term of any incumbent Director; provided, that the resignation or removal of a number of directors director(s) which exceeds the number set forth first in this section shall reduce the authorized number of directors to the number thereof remaining in office, but not to a number less than the number set forth first in this section. Unfilled vacancies on the board of directors shall not prevent the board of directors from conducting business.

Section 6. Election and Term.

- (a) Each person named in the Articles of Incorporation as a member of the initial Board of Directors shall hold office until the first annual meeting of stockholders and until his successor shall have been elected and qualified or until his earlier resignation, removal from office or death.
- (b) At the first meeting of stockholders and at each annual meeting thereafter, the stockholders shall elect Directors to hold office until the next succeeding annual meeting. Each Director shall hold office for the term for which he is elected and until his successor shall have been elected and qualified or until his earlier resignation, removal from office or death.

Section 7. Removal of Directors.

- (a) At a meeting of stockholders called expressly for that purpose, any Director or the entire Board of Directors may be removed (A) with cause by a majority vote of the holders of the shares then entitled to vote in an election of Directors and (B) without cause by a vote of the holders of seventy percent of the shares then entitled to vote in an election of Directors.
- (b) If less than the entire Board of Directors is to be removed and if cumulative voting is permitted by the Articles of Incorporation, no one of the Directors may be removed if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire Board of Directors.

Section 8. Resignation of Director.

A Director may resign from the Board of Directors by providing written notification of such resignation to the President of the Corporation, and such resignation shall become effective immediately upon receipt by the President of said written notification or at such later date as may be specified in the notification.

Section 9. Vacancies.

Any vacancy occurring in the membership of the Board of Directors, including any vacancy created by reason of an increase in the number of Directors, may be filled by the affirmative vote of a majority of the remaining Directors though less than a quorum of the Board of Directors. A Director so elected shall hold office until the next election of Directors by the stockholders.

**ARTICLE VI
DIRECTORS' MEETINGS**

Section 1. Regular Meetings.

The Board of Directors shall hold, without notice, a regular meeting immediately after the adjournment of the annual meeting of stockholders and such other regular meetings as they may, by resolution, designate from time to time.

Section 2. Special Meetings.

Special meetings of the Board of Directors may be called at any time by the President of the Corporation or by any two Directors.

Section 3. Place of Meeting.

All meetings of the Board of Directors shall be held at the principal place of business of the Corporation or at such other place, either within or without the State of Nevada, as the Directors may from time to time designate; provided, however, no such meeting shall be held outside the State of Nevada if at least two (2) Directors object in writing not less than three (3) days before such meeting.

Section 4. Notice of Meeting.

Written or printed notice stating the place, day and hour of any special meeting of the Board of Directors must be given to each Director not less than five (5) nor more than thirty (30) days before the meeting, by or at the direction of the President or other persons calling the meeting. Notice shall be given either personally or by telegram, cablegram or first class mail; and if mailed, the notice shall be deemed to be given when deposited in the United States mail addressed to the Director at his address, as it appears in the records of the Corporation, with postage thereon prepaid, Except as otherwise specified in these Bylaws, the notice need not specify the business to be transacted at, nor the purpose of any meeting.

Section 5. Waiver of Notice.

A written waiver of notice signed by any Director, whether before or after any meeting, shall be equivalent to the giving of timely notice to said Director. Attendance of a Director at a meeting shall constitute a waiver of notice of such meeting and waiver of any and all objections to the place of the meeting, the time of the meeting, or the manner in which it has been called or convened, except when a Director attends a meeting for the express purpose, as stated at the beginning of the meeting, of objecting to the transaction of business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any annual or special meeting of the Directors need be specified in any written waiver of notice.

Section 6. Presumption of Assent.

A Director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken, unless he votes against such action or abstains from voting in respect thereto because of an asserted conflict of interest.

Section 7. Adjourned Meeting.

A majority of the Directors present, whether or not a quorum exists, may adjourn any meeting of the Board of Directors to another time and place. Notice of any such adjourned meeting shall be given to the Directors who were not present at the time of the adjournment and, unless the time and place of the adjourned meeting are announced at the time of the adjournment, to the other Directors.

Section 8. Quorum.

A majority of the number of Directors fixed by these Bylaws shall constitute a quorum for the transaction of business at any meeting of the Directors, unless otherwise specifically provided by the Articles of Incorporation, these Bylaws or applicable law. Attendance shall be either in person or by telephonic or radio connection whereby the distant Director and those Directors present in person all hear and may speak to and be heard on the matters raised therein.

Section 9. Voting.

Each Director who is entitled to vote and who is present at any meeting of the Board of Directors shall be entitled to one (1) vote on each matter submitted to a vote of the Directors. An affirmative vote, of a majority of the Directors present at a meeting of Directors at which a quorum is present, shall constitute the approval, ratification and confirmation of the Board of Directors.

Section 10. Proxies Prohibited.

No Director may authorize another person or entity to act in said Director's stead by proxy or otherwise.

Section 11. Action by Directors

Without a Meeting. Any action required or which may be taken at a meeting of the Directors, or of a committee thereof, may be taken without a meeting if a consent in writing, setting forth the action so to be taken, shall be signed by all of the Directors or all of the members of the committee, as the case may be. Such consent shall have the same effect as a unanimous vote.

Section 12. Directors' Conflicts of Interest.

- (a) No contract or other transaction between the Corporation and one or more of its Directors or any other corporation, firm, association or entity in which one or more of the Directors are directors or officers or are financially interested shall be either void or voidable because of such relationship or interest, or because such Director or Directors are present at the meeting of the Board of Directors or a committee thereof which authorizes, approves or ratifies such contract or transaction, or because his or their votes are counted for such purpose, if:
 - (1) The fact of such relationship or interest is disclosed or known to the Board of Directors or committee which authorizes, approves or ratifies the contract or transaction by a vote or consent sufficient for the purpose, even though less than a majority of the quorum, without counting the votes or consents of such interested Directors; or
 - (2) The fact of such relationship or interest is disclosed or known to the stockholders entitled to vote, and they authorize, approve or ratify such contract or transaction by vote or written consent; or
 - (3) The contract or transaction is fair and reasonable as to the Corporation at the time it is authorized by the Board of Directors, a committee or the stockholders.
- (b) Common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or a committee thereof which authorizes, approves or ratifies such contract or transaction.
- (c) The position of director, officer or employee of a not-for-profit corporation held by a Director of the Corporation shall not be deemed to create a conflict of interest for such Director, with respect to approval of dealings between the Corporation and the not-for profit corporation.
- (d) In the event all Directors of the Corporation are directors, officers or employees of or have a financial interest in another corporation, firm, association or entity, the vote or consent of all Directors shall be counted for purposes of approving any contract or transaction between the Corporation and such other corporation, firm, association or entity.

Section 13. Procedure.

The Board of Directors may adopt their own rules of procedure which shall not be inconsistent with the Articles of Incorporation, these Bylaws or applicable law.

**ARTICLE VII
EXECUTIVE AND OTHER COMMITTEES**

Section 1. Designation.

The Board of Directors, by resolution adopted by a majority of the full Board of Directors may designate from among its members an executive committee and one or more other committees. The Board of Directors, by resolution adopted in accordance with this section, may designate one or more Directors as alternate members of any such committee, who may act in the place and stead of any absent member or members at any meeting of such committee.

Section 2. Powers.

Any committee designated as provided above shall have and may exercise all the authority granted to it by the Board of Directors, except that no committee shall have the authority to:

- (a) Approve or recommend to stockholders actions or proposals required by law to be approved by stockholders;
- (b) Designate candidates for the office of Director, for purposes of proxy solicitation or otherwise;
- (c) Fill vacancies on the Board of Directors or any committee thereof;
- (d) Amend the Bylaws;
- (e) Authorize or approve the reacquisition of shares unless pursuant to a general formula or method specified by the Board of Directors; or
- (f) Authorize or approve the issuance or sale of, or any contract to issue or sell, shares or designate the terms of a series of a class of shares, except that the Board of Directors, having acted regarding general authorization for the issuance or sale of shares, or any contract therefor, and, in the case of a series, the designation thereof, may, pursuant to a general formula or method specified by the Board of Directors by resolution or by adoption of a stock option or other plan, authorize a committee to fix the terms of any contract for the sale of the shares and to fix the terms upon which such shares may be issued or sold, including, without limitation, the price, the rate or manner of payment of dividends, provisions for redemption, sinking fund, conversion, voting or preferential rights, and provisions for other features of a class of shares, or a series of a class of shares, with full power in such committee to adopt any final resolution setting forth all the terms thereof and to authorize the statement of the terms of a series for filing with the Department of State.

ARTICLE VIII OFFICERS

Section 1. Designation.

The officers of the Corporation shall consist of a president, one or more vice presidents (if determined to be necessary by the Board of Directors), a secretary and a treasurer. The Corporation shall also have such other officers, assistant officers and agents as may be deemed necessary or appropriate by the Board of Directors from time to time. Any two or more offices may be held by the same person. The failure to elect a president, vice president, secretary or treasurer shall not affect the existence of the Corporation. The office of the president may, in the discretion of the Board of Directors, be divided into the office of the chief executive officer and the office of the chief operating officer, provided, that the office of the chief executive officer shall be the office of the president for purposes of state and federal laws requiring such office or the signature of such officer.

Section 2. Duties.

The officers of the Corporation shall have the following duties.

- (a) President. The President shall be the Chief Executive Officer of the Corporation, shall have general and active management of the business and affairs of the Corporation subject to the directions of the Board of Directors, and shall preside at all meetings of the stockholders and Board of Directors.
- (b) Vice President. In the absence of the President or in the event of his death, inability or refusal to act, the Vice President (or in the event there is more than one vice president, the vice presidents in the order designated at the time of their election, or in the absence of any designation, then in the order of their election) shall perform the duties of the President and, when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President may sign, with the Secretary or an Assistant Secretary, certificates for shares of the Corporation, and shall perform such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

- (c) Secretary. The Secretary shall have custody of and maintain, all of the corporate records except the financial records; shall record the minutes of all meetings of the stockholders and Board of Directors; send out all notices of meetings; and perform such other duties as may be prescribed by the Board of Directors or the President.
- (d) Treasurer. The Treasurer shall have custody of all corporate funds and financial records, shall keep full and accurate accounts of receipts and disbursements and render accounts thereof at the annual meetings of stockholders and whenever else required by the Board of Directors or the President, and shall perform such other duties as may be prescribed by the Board of Directors or the President.

Section 3. Election.

All officers shall be elected by the Board of Directors.

Section 4. Tenure.

Each officer shall take and hold office from the date of his election until the next annual meeting of the Board of Directors and until his successor shall have been duly elected and qualified or until his earlier resignation, removal from office or death.

Section 5. Resignation of Officers.

Any officer or agent elected or appointed by the Board of Directors may resign such office by providing written notification of such resignation to the President (or if the President is resigning, to the Vice President) of the Corporation.

Section 6. Removal of Officers.

- (a) Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby.
- (b) Any officer or agent elected by the stockholders may be removed only by vote of the stockholders, unless the stockholders shall have authorized the Directors to remove such officer or agent.
- (c) Removal of any officer shall be without prejudice to the contract rights, if any, of the person so removed; however, election or appointment of an officer or agent shall not of itself create contract rights.

Section 7. Vacancies.

Any vacancy, however occurring, in any office, may be filled by the Board of Directors.

**ARTICLE IX
STOCK CERTIFICATES**

Section 1. Issuance.

Every holder of shares in the Corporation shall be entitled to have a certificate, representing all shares to which he is entitled. No certificate shall be issued for any share until such share is fully paid.

Section 2. Form.

- (a) Certificates representing shares in this Corporation shall be signed by the President or Vice President and the Secretary or an Assistant Secretary and may be sealed with the seal of this Corporation or a facsimile thereof. The signatures of the President or Vice President and the Secretary or Assistant Secretary may be facsimiles if the certificate is manually signed on behalf of a transfer agent or a registrar, other than the Corporation itself or an employee of the Corporation. In case any officer who signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer at the date of its issuance.

- (b) If there is more than one class of stock, every certificate representing shares issued by the Corporation shall set forth or fairly summarize upon the face or back of the certificate, or shall state that the Corporation will furnish to any stockholder upon request and without charge a full statement of: the designations, preferences, limitations and relative rights of the shares of each class or series authorized to be issued; the variations in the relative rights and preferences between the shares of each series so far as the same have been fixed and determined; and the authority of the Board of Directors to fix and determine the relative rights and preferences of subsequent series.
- (c) Every certificate representing shares which are restricted as to the sale, disposition or other transfer of such shares shall state that such shares are restricted as to transfer and shall set forth or fairly summarize upon the certificate, or shall state that the Corporation will furnish to any stockholder upon request and without charge a full statement of, such restrictions.
- (d) Each certificate representing shares shall state upon the face thereof: the name of the Corporation; that the Corporation is organized under the laws State of Nevada; the name of the person or persons to whom issued; the number and class, if any, of shares, and the designation of the series, if any, which such certificate represents; and the par value of each share represented by such certificate, or a statement that the shares are without par value.

Section 3. Transfers of Stock.

Transfers of stock shall be made only upon the stock transfer books of the Corporation, kept at the registered office of the Corporation or at its principal place of business, or at the office of its transfer agent or registrar; and before a new certificate is issued, the old certificate shall be surrendered for cancellation and shall be properly endorsed by the holder of record or by his duly authorized attorney. The Board of Directors may, by resolution, open a share register in any state of the United States and may employ an agent or agents to keep such register and to record transfers of shares therein.

Section 4. Registered Owner.

Registered stockholders only shall be entitled to be treated by the Corporation as the holders in fact of the stock standing in their respective names; and the Corporation shall not be bound to recognize any equitable or other claim to or interest in any share on the part of any other person, whether or not it shall have express or other notice thereof, except as expressly provided by the laws of the State of Nevada.

Section 5. Lost, Stolen or Destroyed Certificates.

The Corporation shall issue a new stock certificate in the place of any certificate previously issued if the holder of record of the certificate:

- (a) Makes proof in affidavit form that it has been lost, destroyed or wrongfully taken;
- (b) Requests the issuance of a new certificate before the Corporation has notice that the certificate has been acquired by a purchaser for value in good faith and without notice of any adverse claim;
- (c) Gives bond or other security in such form as the Corporation may direct to indemnify the Corporation, the transfer agent and registrar against any claim that may be made on account of the alleged loss, destruction or theft of a certificate; and
- (d) Satisfies any other reasonable requirements imposed by the Corporation.

Section 6. Fractional Shares or Scrip.

The Corporation may, but shall not be obliged to, issue a certificate for a fractional share, which shall entitle the holder to exercise voting rights, to receive dividends thereon, and to participate in any of the assets of the Corporation in the event of liquidation. In lieu of fractional shares, the Board of Directors may provide for the issuance of scrip in registered or bearer form which shall entitle the holder to receive a certificate for a full share upon the surrender of such scrip aggregating a full share.

Section 7. Shares of Another Corporation.

Shares owned by the Corporation in another corporation, domestic or foreign, may be voted by such officer, agent or proxy as the Board of Directors may determine or, in the absence of such determination, by the President of the Corporation.

**ARTICLE X
DIVIDENDS**

Section 1. Declaration.

The Board may from time to time declare, and the Corporation may pay, dividends on its shares in cash, property or its own shares, except when the Corporation is insolvent, when the payment thereof would render the Corporation insolvent, or when the declaration or payment thereof would be contrary to any restrictions contained in the Articles of Incorporation, subject to the following provisions:

- (a) Dividends in cash or property may be declared and paid, except as otherwise provided in this section, only out of the unreserved and unrestricted earned surplus of the Corporation or out of capital surplus, howsoever arising, but each dividend paid out of capital surplus shall be identified as a distribution of capital surplus, and the amount per share paid from such surplus shall be disclosed to the stockholders receiving the same concurrently with the distribution.
- (b) Dividends may be declared and paid in the Corporation's own treasury shares.
- (c) Dividends may be declared and paid in the Corporation's own authorized but unissued shares out of any unreserved and unrestricted surplus of the Corporation upon the following conditions:
 - (1) If a dividend is payable in shares having a par value, such shares shall be issued at not less than the par value thereof, and there shall be transferred to stated capital, at the time such dividend is paid, an amount of surplus equal to the aggregate par value of the shares to be issued as a dividend.
 - (2) If a dividend is payable in shares without par value, such shares shall be issued at such stated value as shall be fixed by the Board of Directors by resolution adopted at the time such dividend is declared, and there shall be transferred to stated capital, at the time such dividend is paid, an amount of surplus equal to the aggregate stated value so fixed in respect of such shares; and the amount per share so transferred to stated capital shall be disclosed to the stockholders receiving such dividend concurrently with the payment thereof.
- (d) No dividend payable in shares of any class shall be paid to the holders of shares of any other class unless the Articles of Incorporation so provide or such payment is authorized by the affirmative vote or the written consent of the holders of at least a majority of the outstanding shares of the class in which the payment is to be made.
- (e) A split-up or division of the issued shares of any class into a greater number of shares of the same class without increasing the stated capital of the Corporation shall not be construed to be a share dividend within the meaning of this section.

Section 2. Holders of Record.

The holders of record shall be determined as provided in Article III of these Bylaws.

ARTICLE XI
INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS

Section 1. Indemnification For Actions, Suits or Proceedings.

- (a) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding, including any appeal thereof, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The adverse termination of any action, suit or proceeding by judgment, order, settlement, conviction, or a plea of no-lo contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith and in a manner in which he reasonably believed to be in or not opposed to the best interests of the Corporation, and with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.
- (b) The Corporation shall indemnify any person who was or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation; provided, however, that no indemnification shall be made in respect to any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is firmly and reasonably entitled to indemnity for such expenses which such court shall deem proper.
- (c) To the extent that a Director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and (b), or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.
- (d) Any indemnification under subsections (a) or (b) (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in subsections (a) or (b). Such determination shall be made:
 - (1) By the Board of Directors by a majority vote of a quorum consisting of Directors who were not parties to such action, suit or proceeding, or
 - (2) If such a quorum is not obtainable, or even if obtainable, a quorum of disinterested Directors so directs, by independent legal counsel in a written opinion, or

- (3) By the stockholders by a majority vote of a quorum consisting of stockholders who were not parties to such action, suit or proceeding.
- (e) Expenses (including attorneys' fees) incurred in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized in the manner provided in subsection (d) upon receipt of an undertaking by or on behalf of the Director, officer, employee or agent to repay such amount, unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation as authorized in this section.

Section 2. Other Indemnification.

The indemnification provided by these Articles shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any Bylaw, agreement, vote of stockholders or disinterested Directors, or otherwise, both as to actions in his official capacity and as to actions in another capacity while holding such position and shall continue as to a person who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 3. Liability Insurance.

The Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation shall have indemnified him against such liability under the provisions of this Article XI.

**ARTICLE XII
BOOKS AND RECORDS**

Section 1. Books and Records.

- (a) This Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its stockholders, Board of Directors and committees of Directors.
- (b) This Corporation shall keep at its registered office or principal place of business, or at the office of its transfer agent or registrar, a record of its stockholders, giving the names and addresses of all stockholders and the number, class and series, if any, of the shares held by each.
- (c) Any books, records and minutes may be in written form or in any other form capable of being converted into written form within a reasonable time.

Section 2. Stockholders' Inspection Rights.

Any person who shall have been a holder of record of shares or of voting trust certificates therefor at least six (6) months immediately preceding his demand or shall be the holder of record of, or the holder of record of voting trust certificates for, at least five percent (5%) of the outstanding shares of any class or series of the Corporation, upon written demand stating the purpose thereof, shall have the right to examine, in person or by agent or attorney, at any reasonable time or times, for any proper purpose, its relevant books and records of accounts, minutes and records of stockholders and to make extracts therefrom.

Section 3. Financial Information.

- (a) Not later than four (4) months after the close of each fiscal year, the Corporation shall prepare a balance sheet showing in reasonable detail the financial condition of the Corporation as of the close of its fiscal year, and a profit and loss statement showing the results of the operations of the Corporation during its fiscal year.

- (b) Upon the written request of any stockholder or holder of voting trust certificates for shares of the Corporation, the Corporation shall mail to such stockholder or holder of voting trust certificates a copy of the most recent such balance sheet and profit and loss statement.
- (c) The balance sheets and profit and loss statements shall be filed in the registered office of the Corporation in Nevada, shall be kept for at least five (5) years, and shall be subject to inspection during business hours by any stockholder or holder of voting trust certificates, in person or by agent.

**ARTICLE XIII
CORPORATE SEAL**

The Board of Directors shall provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the Corporation, the state of incorporation and the year of incorporation.

**ARTICLE XIV
AMENDMENT TO BYLAWS**

Section 1. By Stockholder.

The stockholders, by the affirmative vote of a majority of the voting stock, shall have the power to alter, amend, and repeal the Bylaws of this Corporation or to adopt additional Bylaws and any Bylaw so adopted may specifically provide that such Bylaw can only be altered, amended or repealed by the stockholders.

Section 2. By Directors.

The Board of Directors, by affirmative vote of a majority of the Board of Directors, shall have the power to adopt additional Bylaws or to alter, amend, and repeal the Bylaws of this Corporation, except when any Bylaw adopted by the stockholders specifically provides that such Bylaw can only be altered, amended, or repealed by the stockholders.

SECRETARY'S CERTIFICATE

I HEREBY CERTIFY that I am the Secretary of Body and Mind Inc. (formerly Deploy Technologies, Inc.) and the foregoing Bylaws of said Corporation were duly adopted by the Board of Directors of the Corporation by action by written consent of said Board of Directors effective October 16, 2019.

IN WITNESS WHEREOF, I have affixed my signature on October 16, 2019.

/s/ Darren Tindale

Darren Tindale, Secretary

HISTORY OF BYLAWS

The initial Amended and Restated Bylaws of Body and Mind Inc. (formerly Deploy Technologies, Inc.) were first adopted on February 18, 2011. Amendments made subsequent to that date should be listed below

CHANGE NUMBER	DATE OF ADOPTION	BY WHOM ADOPTED	ARTICLE AMENDED	SECTIONS AMENDED
1.	Oct. 16, 2019	Board of Directors	IV	1
2.	Oct. 16, 2019	Board of Directors	IV	7(a)

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

As of the date of the Annual Report on Form 10-K of which this Exhibit 4.2 is a part, Body and Mind Inc. (the "Company") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended, being the Company's shares of common stock (the "Common Shares").

Description of Common Shares

The following description of our Common Shares is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our Articles of Incorporation, as amended, and our Bylaws, as amended, each of which are incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part.

Authorized Capital Shares

We are authorized to issue 900,000,000 common shares with a par value of \$0.0001 per share.

Voting Rights

Each outstanding share of common stock is entitled to one vote on all matters submitted to a vote of stockholders. There are no cumulative voting rights.

Dividend and Liquidation Rights

The Company's Board of Directors may from time to time declare, and the Company may pay, dividends in cash, property or shares of the Company, except when the Company is insolvent, when the payment thereof would render the Company insolvent, or when the declaration or payment thereof would be contrary to any restrictions contained in the Articles of Incorporation, subject to the following provisions:

- (a) Dividends in cash or property may be declared and paid, except as otherwise provided in this section, only out of the unreserved and unrestricted earned surplus of the Company or out of capital surplus, howsoever arising, but each dividend paid out of capital surplus shall be identified as a distribution of capital surplus, and the amount per share paid from such surplus shall be disclosed to the stockholders receiving the same concurrently with the distribution.
- (b) Dividends may be declared and paid in the Company's own treasury shares.
- (c) Dividends may be declared and paid in the Company's own authorized but unissued shares out of any unreserved and unrestricted surplus of the Company upon the following conditions:
 - (1) If a dividend is payable in shares having a par value, such shares shall be issued at not less than the par value thereof, and there shall be transferred to stated capital, at the time such dividend is paid, an amount of surplus equal to the aggregate par value of the shares to be issued as a dividend.
 - (2) If a dividend is payable in shares without par value, such shares shall be issued at such stated value as shall be fixed by the Board of Directors by resolution adopted at the time such dividend is declared, and there shall be transferred to stated capital, at the time such dividend is paid, an amount of surplus equal to the aggregate stated value so fixed in respect of such shares; and the amount per share so transferred to stated capital shall be disclosed to the stockholders receiving such dividend concurrently with the payment thereof.

- (d) No dividend payable in shares of any class shall be paid to the holders of shares of any other class unless the Articles of Incorporation so provide or such payment is authorized by the affirmative vote or the written consent of the holders of at least a majority of the outstanding shares of the class in which the payment is to be made.
- (e) A split-up or division of the issued shares of any class into a greater number of shares of the same class without increasing the stated capital of the Company shall not be construed to be a share dividend within the meaning of this section.

Holders of common stock will share equally on a per share basis in any dividend declared by the Board of Directors. We have not paid any dividends on our common stock and do not anticipate paying any cash dividends on such stock in the foreseeable future.

Upon liquidation, dissolution or winding up of our Company, the holders of our common shares are entitled to share ratably in all net assets available for distribution to common stockholders after payment to creditors.

Other Rights and Preferences

Our common stock is not convertible or redeemable and has no preemptive, subscription or conversion rights.

Listing

The trading market for the Common Shares is the Canadian Securities Exchange under the trading symbol "BAMM" and on the OTCQB Venture Market trading platform under the trading symbol "BMMJ".

SUBSIDIARIES OF BODY AND MIND INC.

The following is a list of all the subsidiaries of the Company and the corresponding state or jurisdiction of incorporation or organization of each. All subsidiaries of the Company are directly or indirectly owned by the Company.

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 was 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.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Body and Mind Inc.
Vancouver, BC

We hereby consent to the incorporation by reference in the Registration Statement of Body and Mind Inc. on Form S-8 (No. 333-237700) of our report dated January 17, 2023, with respect to our audit of the consolidated financial statements of Body and Mind Inc. as of July 31, 2022 and for the year then ended, which appears in this Annual Report on Form 10-K.

/s/ Sadler, Gibb & Associates, LLC

Draper, UT
January 17, 2023

CERTIFICATION

I, Michael Mills, certify that:

1. I have reviewed this Form 10-K 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 17, 2023

/s/ Michael Mills

Michael Mills, President, CEO and Director
(Principal Executive Officer)

CERTIFICATION

I, Dong Shim, certify that:

1. I have reviewed this Form 10-K 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 17, 2023

/s/ Dong Shim

Dong H. Shim, Chief Financial Officer and Director
(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**

The undersigned, Michael Mills, the Chief Executive Officer of Body and Mind Inc. (the "Company"), and Dong H. Shim, the Chief Financial Officer of the Company, each 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 his or her knowledge, the Annual Report on Form 10-K for the year ended July 31, 2022, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of the Company.

Date: January 17, 2023

/s/ Michael Mills

Michael Mills
President, Chief Executive Officer
(Principal Executive Officer) and a Director

/s/ Dong Shim

Dong H. Shim
Chief Financial Officer (Principal Financial Officer and
Principal Accounting Officer) and a Director

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 the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.