

FORM 7

MONTHLY PROGRESS REPORT

Name of Listed Issuer: **Body and Mind Inc.** (the "Issuer", the "Company")

Trading Symbol: **BAMM**

Number of Outstanding Listed Securities: **146,636,974**

Date: **January 11, 2023**

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by Exchange Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the Exchange website.

This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the Policies. The discussion in this report must be factual, balanced and non-promotional.

General Instructions

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

Report on Business

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

On December 8, 2022 the Company announced it closed the Seaside dispensary transaction, which it had previously disclosed in news releases dated Dec. 1, 2021, and June 21, 2022.

Pursuant to the closing of the Seaside dispensary, Body and Mind issued an aggregate of 16,301,694 common shares to the vendors of Canopy Monterey Bay LLC, which owns the Seaside dispensary, at a deemed price of 13.4 U.S. cents per share in accordance with the terms of the membership interest purchase agreements, as amended. Pending the results of a working capital adjustment, 2,238,806 of the 16,301,694 common shares are being held in escrow.

On December 22, 2022 the Company announced Body and Mind Inc. has provided an update on a number of developments which finance the company's near-term projects and facilitate entry into the emerging New Jersey market, while also adding long-tenured cannabis experience and strategic insight to its board of directors. Specifically, the company today announces:

Convertible debenture financing: The company has closed a convertible debenture financing for gross proceeds of \$3-million (U.S.) with finances associated with strategic investor Bengal Impact Partners LLC, with additional participation from Mindset Capital LLC.

Entry into New Jersey: Simultaneously, the company is acquiring CraftedPlants N.J. Inc. (CPNJ), an entity that leases a New Jersey retail location with local cannabis-use approval and is currently working on attaining final state licensure in New Jersey.

Convertible debenture financing

The convertible debenture financing was in the form of securities purchase agreements whereby the three investors purchased from the company and the company has issued and sold to the investors (i) unsecured convertible debentures in the aggregate principal amount of \$3-million (U.S.) and (ii) common stock purchase warrants which entitle the holders to acquire up to 15 million shares of common stock of the company.

The debentures have a maturity date of Dec. 19, 2027, bear interest at a rate of 8 per cent per annum, which shall accrue monthly, compound annually and shall be payable on the maturity date. The investors have the right at any time prior to the maturity date to convert all or any portion of the principal amount and/or any interest amount into shares of common stock of the company at 10 U.S. cents per share, subject to customary adjustments and subject to a beneficial ownership limitation by each investor and their respective affiliates of 9.99 per cent of the then-outstanding shares of common stock of the company, provided, however, that the beneficial ownership limitation on conversion may be waived by the investor upon providing not less than 61 days of prior notice to the company. The debentures are subordinate to the company's existing senior secured lender.

The warrants allow the holders to acquire up to 15 million warrant shares until Dec. 19, 2026, at an exercise price of 10 U.S. cents per warrant share, subject to customary adjustments. The warrants can be exercised on a cash basis or on a

cashless (net exercise) basis. The warrants contain the same beneficial ownership limitation as the debentures.

Pursuant to the purchase agreements, the company and the investors entered into a registration rights agreement whereby the company is required to prepare and file a registration statement on Form S-1 covering the resale of all of the share of the company's common stock, including the warrant shares, issuable to the investors.

Furthermore, pursuant to the purchase agreements, following the closing and until the later of (a) the repayment or conversion of the debentures, and Bengal Capital (or any of its affiliates) ceasing to own at least 10 per cent 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.

Acquisition of CraftedPlants

CraftedPlants is an entity that leases a New Jersey retail location with local cannabis-use approval and is currently working on attaining final state licensure in New Jersey.

Mr. Mills commented: "We are excited to enter the New Jersey market and look forward to working towards full adult-use licensure. The structure of these transactions allows us to focus our cash on business growth and ties consideration to success of licensing objectives to align the company and CraftedPlants N.J.'s former owners and serving New Jersey customers as quickly as possible."

Pursuant to an agreement and plan of merger, dated Dec. 21, 2022, between the company, its wholly owned subsidiary, DEP Nevada Inc., BaM Body and Mind Dispensary N.J. Inc., a New Jersey corporation and wholly owned subsidiary of DEP (merger sub), CraftedPlants N.J. Corp., a New Jersey corporation (surviving entity), and those certain shareholders of the surviving entity, merger sub merged with and into the surviving entity and, following the consummation of the merger, which occurred on Dec. 21, 2022, the surviving entity became a wholly owned subsidiary of DEP.

Pursuant to the terms of the merger agreement, on the closing, DEP delivered a cash payment of \$50,000 (U.S.) to the sellers, with a delayed payment of \$120,000 (U.S.) to be paid to the sellers upon financing of the project buildout.

Furthermore, pursuant to the terms of the merger agreement, on Dec. 21, 2022, the company issued to the sellers an aggregate of 16,666,667 shares of its common stock at a deemed price of eight cents 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 postclosing milestones are as follows: if, within two years of the closing date, the surviving entity's application is approved and is granted pending licence approval from the New Jersey Cannabis Regulatory Commission (CRC), 70 per cent of the merger consideration shares will be released from escrow. If, within three years of the closing date, the surviving entity opens for business as a recreational cannabis dispensary, 30 per cent 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 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.

2. Provide a general overview and discussion of the activities of management.

New board member: Josh Rosen, managing partner of Bengal Capital, will join the board of the company upon completion of any regulatory or exchange requirements.

"We are thrilled to have the team at Bengal Capital transition from being a supportive shareholder to a strategic partner," stated Michael Mills, chief executive officer of Body and Mind. "The team at Bengal have a long track record of value creation in the industry and today's transactions secure the trajectory of the company's current focus: the successful tenant improvements and start-up of two Body and Mind-branded dispensaries in Illinois. The proposed dispensary locations are near major thoroughfares with ample parking in areas we believe are still largely underserved by existing Illinois cannabis retailers. Additionally, through our acquisition of CraftedPlants N.J., we are on a path to establishing a presence in New Jersey with another great location and opportunity for growth. I look forward to Bengal Capital partner Josh Rosen joining our board and the support of the entire Bengal team and also want to thank Aaron Edelheit of Mindset Capital for his support and engagement."

Mr. Rosen, managing partner at Bengal Capital, added: "Bengal takes a long-term value creation approach and has focused on smaller underappreciated cannabis companies -- companies we call scrappy operators. We focus our diligence on operating talent and our ability to help augment value drivers and we think BaM represents a great combination of capabilities and opportunity. While the market seems to have been focused on limited licence portfolios, it has also apparently short-changed companies like BaM which have solid licence portfolios and a demonstrated ability to operate those licences when markets get competitive. So, we were pleased to have the opportunity to work with Michael and the rest of the BaM team to help enable their Illinois retail activation and New Jersey market entry. We believe these two projects are located in attractive markets and I look forward to joining BaM's board and supporting its value creation strategy going forward."

Body and Mind Inc. has provided an update regarding its delayed annual financial statements for the year ended July 31, 2022, including the related management discussion and analysis and chief executive officer and chief financial officer certifications.

Although the audit process is substantially complete, the additional final procedures include: (i) final approval from an external valuation consultant for the auditor; (ii) updating a tax provision; and (iii) final internal QC (quality control) sign-off from the auditor.

The company and its auditor are working closely to complete the 2022 annual financial filings and will continue to provide updates in accordance with National Policy 12-203, Management Cease Trade Orders.

Until the 2022 annual financial filings are filed, the company intends to provide information in accordance with National Policy 12-203 (Management Cease Trade Orders).

3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

Not Applicable

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

Not Applicable

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the

relationship is with a Related Person of the Issuer and provide details of the relationship.

Not Applicable

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

See updates on new acquisition and new financing above.

7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

See update on Seaside acquisition above.

8. Describe the acquisition of new customers or loss of customers.

The Company continues to welcome new patients and customers at all locations, including Nevada, Ohio, California, Arkansas and Michigan.

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.

Not Applicable

10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

Not Applicable

11. Report on any labour disputes and resolutions of those disputes if applicable.

Not Applicable

12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

Not Applicable

13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

Not Applicable

14. Provide details of any securities issued and options or warrants granted.

The Company issued 16,301,694 common shares in connection with Seaside closing and 16,666,667 common shares related to the acquisition of CraftedPlants.

The Company issued 15,000,000 warrants in connection with the convertible debenture financing. Each warrant is exercisable until December 19, 2026, at an exercise price of \$0.10 per share.

15. Provide details of any loans to or by Related Persons.

Not Applicable

16. Provide details of any changes in directors, officers or committee members.

Not Applicable

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

On March 12, 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 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. However, 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 we intend to follow health and safety guidelines as they evolve.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there were no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated **January 11, 2023**

Dong Shim

Name of Director or Senior Officer

/s/ “Dong Shim”

Signature

CFO

Official Capacity

<i>Issuer Details</i> Name of Issuer Body and Mind Inc.	For Month End December 2022	Date of Report YY/MM/DD 23/01/11
Issuer Address 750 – 1095 West Pender Street		
City/Province/Postal Code Vancouver, BC V6E 2M6	Issuer Fax No. N/A	Issuer Telephone No. 800 361 6312
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