UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2021 **Commission File Number 001-40065**

IM CANNABIS CORP.

(Exact name of Registrant as specified in its charter)

British Columbia
(Province or other jurisdiction of incorporation or organization)

2833
(Primary Standard Industrial Classification Code Number (if applicable))

Not Applicable
(I.R.S. Employer Identification Number (if applicable))

Kibbutz Glil Yam,
Central District, Israel 4690500
+ 972 544331111
(Address and telephone number of Registrant's principal executive offices)

CT Corporation System
1015 15th Street N.W., Suite 1000
Washington, DC 20005
(202) 572-3133
(Name, address (including zip code) and telephone number (including area code)
of agent for service in the United States)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, no par value	**IMCC**	**The NASDAQ Stock Market LLC**

Securities registered or to be registered pursuant to Section 12(g) of the Act: Not applicable.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: Not applicable.

For annual reports, indicate by check mark the information filed with this Form:

☒ Annual information form ☒ Audited annual financial statements

Number of outstanding shares of each of the issuer's classes of
capital or common stock as of December 31, 2021:

68,217,894 Common Shares, no par value

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act. Emerging growth company ☒

If an emerging growth company that prepares is financial statements in accordance with U.S. GAAP, 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. ☐

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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.☐

EXPLANATORY NOTE

IM Cannabis Corp. (the "**Company**" or the "**Registrant**") is a Canadian issuer that is permitted, under the multijurisdictional disclosure system adopted in the United States, to prepare this Annual Report on Form 40-F (this "**Annual Report**") pursuant to Section 13 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), in accordance with Canadian disclosure requirements, which are different from those of the United States. The Company is a "foreign private issuer" as defined in Rule 3b-4 under the Exchange Act and Rule 405 under the Securities Act of 1933, as amended. Equity securities of the Company are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3 thereunder.

FORWARD-LOOKING STATEMENTS

This Annual Report, including any documents incorporated by reference herein, contains "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws (collectively referred to herein as "**forward-looking statements**"). All statements other than statements of fact may be deemed to be forward-looking statements, including statements with regard to expected financial performance, strategy and business conditions. The words "believe", "plan", "intend", "estimate", "expect", "anticipate", "continue", or "potential", and similar expressions, as well as future or conditional verbs such as "will", "should", "would", and "could" often identify forward-looking statements. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management as of the date of this Annual Report on Form 40-F, or a document incorporated by reference therein, including reasonable assumptions, estimates, internal and external analysis and opinions of management considering its experience, perception of trends, current conditions and expected developments as well as other factors that management believes to be relevant as at the date such statements are made. Capitalized terms used in this section and not defined have the meanings ascribed to them in the Company's Annual Information Form for the year ended December 31, 2021 (the "**AIF**"), attached hereto as Exhibit 99.1.

Without limitation, this Annual Report contains forward-looking statements pertaining to:

- the expected performance of the Group's business and operations;
- the export of the Group's cannabis products from Canada and import into Israel and Germany on a consistent basis or at all;
- the import into Israel and Germany of cannabis from supply partners in Canada and elsewhere on a consistent basis or at all;
- the ability to satisfy rapid growth in demand for imported high-THC premium and super-premium medical cannabis in Israel and Germany;
- the Group's expansion and development of its foreign operations and supply arrangements;
  expansion of cultivation capacity;
- the Group's intentions regarding leveraging its German operational platform and further developing its presence in Europe;
- expectations regarding the Group's revenues, expenses and profits;
- expectations in the growth of demand in the medical cannabis industry, including without limitation, in Israel and Germany;
- the Company's positioning as one of the largest distributors of medical cannabis in Israel after acquiring the Israeli Pharmacies and Rosen High Way, Panaxia GDP License and Panaxia-to-the-Home Operation;
- the competitive conditions of the medical and recreational cannabis industry, including ancillary industries such as medical cannabis operations consulting;
- the anticipated legalization and/or decriminalization of adult-use recreational cannabis in Israel and Germany and the Group's business intentions in the event such legalization and/or decriminalization occurs;
- the Company's expectations relating to the Canadian Facilities;
- TJAC's anticipated regulatory approval to sell its products in the Province of Quebec;
- the Group's anticipated obligations to comply with environmental and employee health and safety matters;
- the Company's expectations relating to the Panxia Pharmacy Option;
- the Group's future product offerings and strategic plans of entering into new domestic and international markets;

- the effect of new or altered government regulations with respect to any cannabis related activity, including the marketing, acquisition, manufacture, management, transportation, storage, sale and disposal of cannabis and cannabis products;
- the grant, maintenance or renewal of licenses or governmental approvals required to conduct activities related to cannabis;
- the intentions of management of the Company;
- the Group's expectations to meet target production capacity;
- the availability of raw materials and supplies at acceptable quantities, qualities and prices;
- the scope of protection the Group is able to establish and maintain, if any, for intellectual property rights covering its products;
- future liquidity and financial capacity;
- the Company's plan with respect to any payments of dividends;
- the vertical integration of the Group's business.
- the expansion of the Company's business, operations and potential activities outside of the current markets, including but not limited to Europe and other international jurisdictions;
- the Group's contractual obligations and commitments.

With respect to the forward looking-statements contained in this Annual Report, the Company has made assumptions regarding, among other things:

- the anticipated increase in demand for High-THC premium and super-premium medical cannabis in the markets in which the Group operates or is contemplating operations;
- the anticipated demand for adult-use recreational cannabis in Canada;
- the anticipated increase in liquidity for current investors and enhanced access for prospective investors in the Company's Common Shares following its successful listing on NASDAQ;
- the legalization and/or decriminalization of adult-use recreational cannabis and the demand for adult-use recreational cannabis products in the markets in which the Group operates;
- the Group's ability to satisfy international demand for its products;
- the Group's ability to export from its Canadian Facilities and import into Israel and Germany;
- future cannabis product pricing;
- cannabis production yields; and
- the Group's ability to market its brands and its services successfully to its anticipated patients and consumers.

Readers are cautioned that the above lists of forward-looking statements and assumptions are not exhaustive. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated or implied by such forward-looking statements due to a number of factors and risks. These include:

- the Company's ability to continue to meet the continued listing requirements of the Canadian Securities Exchange (the " **CSE**") and NASDAQ;
- the failure of the Group to comply with applicable regulatory requirements in a highly regulated industry;
- the failure of the Company to maintain "de facto" control over Focus in accordance with IFRS 10 and to consolidate its financial results;
- the failure of the each of Pharm Yarok, Rosen High Way, Vironna, Oranim and IMC Pharma to maintain in good standing or renew its government-issued cannabis licenses;
- the failure of Focus to maintain in good standing or renew its government-issued cannabis cultivation license;
- the failure of TJAC to maintain in good standing or renew any of the TJAC Licenses or the MYM Licenses;
- the failure of Adjupharm to maintain in good standing or renew any of its government-issued cannabis wholesale, narcotics handling or import/export licenses, permits, certificates or approvals;
- Focus' reliance on the Focus Facility to conduct medical cannabis activities;
- the failure of Focus to maintain the Focus Facility in good standing with all state and municipal Israeli regulations, including all required licenses and permits and under the Focus Lease Agreement;
- failure to maintain in good standing any of the Israeli Facilities, the Canadian Facilities and the Logistics Centre;
- compliance with the Cannabis Act, and provincial and territorial cannabis legislation;

- reliance on the Canadian Facilities to conduct cannabis activities;
- the Group's ability to maintain ancillary business licenses, permits and approvals required to operate effectively;
- regulatory authorities in Israel viewing the Company as the deemed owner of more than 5% of Focus in contravention of Israeli regulations;
- limitations on stockholdings of the Company in connection with its potential direct engagement in the Israeli medical cannabis market;
- unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture import/export or use of cannabis in Canada, Israel and Germany, or any foreign jurisdictions in which the Company intends to operate;
- the failure of the Company to attain the necessary regulatory approvals required for the successful acquisition of HW Shinua and the successful exercise of the Panaxia Pharmacy Option in a timely manner or at all;
- the Group's possible exposure to liability, the perceived level of risk related thereto, and the anticipated results of any litigation or other similar disputes or legal proceedings involving the Group, including but not limited to the Construction Allegations, the MOH Allegations and the class action proceedings described herein;
- the ability of the Group's third-party cultivators, suppliers, distribution partners, and contracted pharmacies to fulfil their obligations to the Group;
- the Group's ability to maintain partnerships with third-party cultivators, suppliers and distribution partners;
- the Group's ability to secure new supply and distribution partners;
- the Group's ability to fulfil obligations to third-party distribution partners;
- the Group's ability to obtain or maintain sufficient insurance for its operations;
- the Group's possible exposure to additional liability for claims in excess of insurance coverage;
- the Group's ability to implement effective product security and storage measures;
- the Group's ability to conduct sales and marketing activities for its products;
- the Group's ability to retain and attract key personnel and members of management;
- the Group's ability to develop or facilitate introduction of new product offerings to the market;
- the Group's possible exposure to liability relating to product recalls;
- the Company's ability to raise additional funds;
- the Company's ability to manage cash flows;
- inflation risks.
- anti-money laundering laws and regulation risks;
- the Group's ability to cope with the operational impacts of the COVID-19 pandemic;
- the impact on the Group of any changes in global financial conditions, including those caused by geopolitical instability, catastrophic events, natural disasters, weather and disease;
- Focus, TJAC and MYM's ability to grow agricultural products effectively in light of natural elements;
- the impact of increasing competition;
- inconsistent public opinion and perception regarding the use of cannabis;
- perceived effects of cannabis products;
- any change in the political environment which would negatively affect the decriminalization and/or legalization of adult-use recreational cannabis in Israel and Germany;
- engaging in activities considered illegal under relevant laws including U.S. federal law;
- political instability and conflict in the Middle East;
- the conflict between Russia and Ukraine and any restrictive actions that have been and may further be taken by the U.S. and/or other countries in response thereto, including but not limited sanctions, export controls or conflict;
- adverse market conditions;
- competition from the illegal cannabis market;
- industry consolidation;
- the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses;
- the potential for the Company to record future impairment losses;
- currency and interest rate fluctuations;
- global and local economic conditions;
- the costs of inputs; and
- reliance on management.

The foregoing list of risk factors is not exhaustive. Additional information on these and other factors that could affect the business, operations or financial results of the Company are detailed under the heading "*Risk Factors*" in the AIF. Unless otherwise indicated, forward-looking statements in this Annual Report describe our expectations as of the date of this Annual Report. The Company and management caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. The Company and management assume no obligation to update or revise them to reflect new events or circumstances except as required by applicable securities laws.

NOTE TO UNITED STATES READERS - DIFFERENCES IN UNITED STATES AND CANADIAN REPORTING PRACTICES

The Registrant is permitted, under the multi-jurisdictional disclosure system adopted by the United States Securities and Exchange Commission (the "**SEC**"), to prepare this Annual Report in accordance with Canadian disclosure requirements, which differ from those of the United States. The Company has prepared its financial statements, which are filed as Exhibit 99.2 to this Annual Report and incorporated by reference herein, in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board and they are not comparable to financial statements of United States companies.

ANNUAL INFORMATION FORM

The audited consolidated financial statements of the Registrant for the years ended December 31, 2021, including the report of the independent registered public accounting firm thereon, are filed as Exhibit 99.2 to this Annual Report and are incorporated by reference herein.

AUDITED ANNUAL FINANCIAL STATEMENTS

The audited consolidated financial statements of the Registrant for the years ended December 31, 2021, including the report of the independent registered public accounting firm thereon, are filed as Exhibit 99.2 to this Annual Report and are incorporated by reference herein.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Registrant's management's discussion and analysis for the year and three months ended December 31, 2021, is filed as Exhibit 99.3 to this Annual Report and is incorporated by reference herein.

TAX MATTERS

Purchasing, holding, or disposing of the Company's securities may have tax consequences under the laws of the United States and Canada that are not described in this Annual Report.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report, the Company carried out an evaluation, under the supervision of the Company's Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**"), of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based upon that evaluation, the Company's CEO and CFO have concluded that, as of the end of the period covered by this Annual Report, the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

While the Company's principal executive officer and principal financial officer believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the Company's disclosure controls and procedures or internal control over financial reporting will prevent all errors or fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. The Company's management has employed a framework consistent with Exchange Act Rule 13a-15(c), to evaluate the Company's internal control over financial reporting described below. A company's internal control over financial reporting is a process designed 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.

A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. It should be noted that a control system, no matter how well conceived or operated, can only provide reasonable assurance, not absolute assurance, that the objectives of the control system are met. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Management, including the CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting, and has used the 2013 framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "**2013 COSO Framework**") to evaluate the effectiveness of the Company's controls in 2019. **[**Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as at December 31, 2021, and provided a reasonable assurance of the reliability of the Company's financial reporting and preparation of financial statements.

On July 9 2021, the Company acquired MYM Nutraceuticals Inc. ("MYM"). The Company is in the process of integrating MYM into its internal controls and procedures. As a result, management's evaluation of the Company's internal control over financial reporting did not include an evaluation of the internal controls of MYM and management's conclusion regarding the effectiveness of the Company's internal control over financial reporting does not extend to the internal controls of MYM. Total assets of $5.7 million related to MYM are included in the consolidated financial statements of the Company as of and for the year ended December 31, 2021.

On March 18, 2021, the Company acquired Trichome Financial Corp ("Trichome"). The Company is in the process of integrating Trichome into its internal controls and procedures. As a result, management's evaluation of the Company's internal control over financial reporting did not include an evaluation of the internal controls of Trichome and management's conclusion regarding the effectiveness of the Company's internal control over financial reporting does not extend to the internal controls of Trichome. Total assets of $89.2 million related to Trichome and its consolidated subsidiaries are included in the consolidated financial statements of the Company as of and for the year ended December 31, 20121.

Attestation Report of the Registered Public Accounting Firm

This Annual Report does not include an attestation report of the Company's registered public accounting firm because emerging growth companies are exempt from this requirement for so long as they remain emerging growth companies.

Changes in Internal Control over Financial Reporting

During the period covered by this Annual Report, no change occurred in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

CORPORATE GOVERNANCE

The Company's Board of Directors (the "**Board of Directors**") is responsible for the Company's corporate governance and has a separately designated standing a Corporate Governance and Nomination Committee, a Compensation Committee and an Audit Committee. The Board of Directors has determined that all of the members of the Compensation Committee and the Audit Committee are independent, based on the criteria for independence prescribed by Section 5605(a)(2) of the NASDAQ Stock Market Rules.

Corporate Governance and Nomination Committee

The Corporate Governance and Nomination Committee is responsible for, among other things: developing, recommending to the Board of Directors and maintaining corporate governance principles applicable to the Company; identifying and recommending qualified individuals for nomination to the Board of Directors; reviewing and evaluating the Board of Directors; and addressing any related matters required by applicable law. The Company's Corporate Governance and Nomination Committee is comprised of Oren Shuster, Vivian Bercovici and Marc Lustig. Ms. Bercovici is independent based on the criteria for independence prescribed by Rule 5605(a)(2) of the NASDAQ Stock Market Rules.

Compensation Committee

Compensation of the Company's CEO and all other executive officers is recommended to the Board of Directors for determination by the Compensation Committee. The Compensation Committee is comprised of Brian Schinderle, Vivian Bercovici and Haleli Barath, all of whom are independent based on the criteria for independence prescribed by Rule 5605(a)(2) of the NASDAQ Stock Market Rules.

AUDIT COMMITTEE

The Board of Directors has a separately designated standing Audit Committee established for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company in accordance with Section 3(a)(58)(A) of the Exchange Act and Rule 5602(c) of the NASDAQ Stock Market Rules. As of the date of this Annual Report, the Company's Audit Committee is comprised of Haleli Barath, Vivian Bercovici and Brian Schinderle, all of whom are independent based on the criteria for independence prescribed by Rule 10A-3 of the Exchange Act and Rule 5605(a)(2) of the NASDAQ Stock Market Rules. The Audit Committee meets the composition requirements set forth by Section 5605(c)(2) of the NASDAQ Stock Market Rules.

The Board of Directors has also determined that each member of the Audit Committee is financially literate, meaning each such member has the ability to read and understand a set of financial statements that present a breadth and level of complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Audit Committee Financial Expert

The Board of Directors has determined that Brian Schinderle qualifies as a financial expert (as defined in Item 407(d)(5)(ii) of Regulation S-K under the Exchange Act) and Rule 5605(c)(2)(A) of the NASDAQ Stock Market Rules; and (ii) is independent (as determined under Exchange Act Rule 10A-3 and Rule 5605(a)(2) of the NASDAQ Stock Market Rules).

The SEC has indicated that the designation or identification of a person as an audit committee financial expert does not make such person an "expert" for any purpose, impose any duties, obligations or liability on such person that are greater than those imposed on members of the audit committee and the board of directors who do not carry this designation or identification, or affect the duties, obligations or liability of any other member of the audit committee or board of directors.

PRE-APPROVAL OF AUDIT AND NON-AUDIT SERVICES PROVIDED BY INDEPENDENT AUDITOR

The Audit Committee pre-approves all audit services to be provided to the Company by its independent auditors. Non-audit services that are prohibited to be provided to the Company by its independent auditors may not be pre-approved. In addition, prior to the granting of any pre-approval, the Audit Committee must be satisfied that the performance of the services in question will not compromise the independence of the independent auditors. All non-audit services performed by the Company's auditor for the fiscal year ended December 31, 2021 were pre-approved by the Audit Committee of the Company. No non-audit services were approved pursuant to the de minimis exemption to the pre-approval requirement set forth in Rule 2-01(c)(7)(i)(C) of Regulation S-X.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following lists the aggregate fees paid or payable to Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, Tel Aviv, Israel (PCAOB ID 1281) for the financial years ended December 31, 2021 and 2020.

	December 31, 2021(1)	**December 31, 2020**(1)
Audit fees(2)	$894,039	$239,308
Audit-related fees(3)	-	-
Tax fees(4)	$17,298	$4,074
All other fees(5)	-	-
Total fees	$911,337	$243,382

Notes:

(1) Amounts are stated in USD.
(2) Audit fees consist of the aggregate fees billed for the audit or review of the Company's annual financial statements that are normally provided in connection with statutory and regulatory filings or engagements.
(3) Audit-related fees consist of the aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported as audit fees.
(4) For tax compliance, tax advice and tax planning.
(5) For products and services other than the audit fees, audit-related fees and tax fees described above.

CODE OF ETHICS

The Company has adopted a Code of Business Conduct and Ethics that applies to directors, officers and employees of, and consultants to, the Company (the "**Code**"). The Code is posted on the Company's website at www.imcannabis.com. The Code meets the requirements for a "code of ethics" within the meaning of that term in General Instruction 9(b) of Form 40-F.

All waivers of the Code with respect to any of the employees, officers or directors covered by it will be promptly disclosed as required by applicable securities rules and regulations. During the fiscal year ended December 31, 2021, the Company did not waive or implicitly waive any provision of the Code with respect to any of the Company's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions.

NOTICES PURSUANT TO REGULATION BTR

There were no notices required by Rule 104 of Regulation BTR that the Company sent during the year ended December 31, 2021 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

MINE SAFETY DISCLOSURE

Not Applicable.

DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

NASDAQ STATEMENT OF GOVERNANCE DIFFERENCES

The Company is a "foreign private issuer" as defined in Rule 3b-4 under Exchange Act and its Common Shares are listed on The NASDAQ Stock Market LLC ("**NASDAQ**") and the CSE. Rule 5615(a)(3) of NASDAQ Stock Market Rules permits foreign private issuers to follow home country practices in lieu of certain provisions of NASDAQ Stock Market Rules. A foreign private issuer that follows home country practices in lieu of certain provisions of NASDAQ Stock Market Rules must disclose ways in which its corporate governance practices differ from those followed by domestic companies either on its website or in the annual report that it distributes to shareholders in the United States. A description of the ways in which the Company's governance practices differ from those followed by domestic companies pursuant to NASDAQ standards are as follows:

Independent Nominating Committee: NASDAQ Stock Market Rule 5605(e)(1) (" **Rule 5605(e)(1)**") requires having a Nominations Committee comprised solely of independent directors. In lieu of following Rule 5605(e)(1), has elected to follow Canadian practices consistent with the requirements of the CSE.

Shareholder Meeting Quorum Requirement: NASDAQ Stock Market Rule 5620(c) (" **Rule 5620(c)**") requires that the minimum quorum requirement for a meeting of shareholders be 33 1/3 % of the outstanding common shares. In addition, Rule 5620(c) requires that an issuer listed on NASDAQ state its quorum requirement in its by-laws. In lieu of following Rule 5620(c), has elected to follow Canadian practices consistent with the requirements of the CSE.

Shareholder Approval Requirements: NASDAQ Stock Market Rule 5635(d) (" **Rule 5635(d)**") requires shareholder approval prior to a transaction involving the sale or issuance of a company's common stock (or securities convertible into or exercisable for its common stock): (i) at a price below the greater of book value or market value; and (ii) which together with sales by officers, directors, or substantial stockholders, is equal to 20% or more of the company's outstanding shares of common stock or 20% or more of the voting power prior to issuance. In lieu of following Rule 5620(c), has elected to follow Canadian practices consistent with the requirements of the CSE.

UNDERTAKING

The Company undertakes to make available, in person or by telephone, representatives to respond to inquiries made by SEC staff, and to furnish promptly, when requested to do so by SEC staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

CONSENT TO SERVICE OF PROCESS

The Company has previously filed with the SEC a written consent to service of process on Form F-X. Any change to the name or address of the Company's agent for service shall be communicated promptly to the SEC by amendment to the Form F-X referencing the file number of the Company.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

DATED this 31 day of March, 2022.

IM CANNABIS CORP.

By: /s/ Oren Shuster
Name: Oren Shuster
Title: Chief Executive Officer and Director

EXHIBIT INDEX

The following documents are being filed with the SEC as Exhibits to this Form 40-F:

Exhibit Number	Description
99.1	Annual Information Form dated March 31, 2022 for the financial year ended December 31, 2021
99.2	Audited Consolidated Financial Statements for the year ended December 31, 2021
99.3	Management's Discussion and Analysis for the year and three months ended December 31, 2021
99.4	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the U.S. Securities Exchange Act of 1934, as amended
99.5	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the U.S. Securities Exchange Act of 1934, as amended
99.6	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.7	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.8	Consent of Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global
101	Interactive Data File (formatted as Inline XBRL)
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)



IM CANNABIS CORP.

ANNUAL INFORMATION FORM

For the Financial Year Ended December 31, 2021

March 31, 2022

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SCHEDULE "A" – AUDIT COMMITTEE CHARTER

ANNUAL INFORMATION FORM

In this annual information form (" **Annual Information Form**" or "**AIF**"), unless otherwise noted or the context indicates otherwise, the " **Company**" "**IMCC**", "**IM Cannabis**", "**we**", "**us**" and "**our**" refer to IM Cannabis Corp., together with its subsidiaries, on a consolidated basis, and the "**Group**" refers to the Company, its subsidiaries and Focus, an Israeli private company over which IMC Holdings exercises "de facto control" under IFRS 10. All dollar amounts referred to in this Annual Information Form are stated in Canadian dollars unless otherwise indicated. IMCC prepares its financial statements in accordance with IFRS as issued by the International Accounting Standards Board.

The information in this Annual Information Form is presented as at December 31, 2021 unless otherwise indicated. All references to the Company's Common Shares and securities issuable into Common Shares such as Warrants, Options, Broker Compensation Options, and RSUs are reflected on a post-Consolidation (each capitalized term as defined below) basis unless otherwise indicated or the context requires otherwise.

FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Information Form may contain "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws (collectively referred to herein as "forward-looking statements"). All statements other than statements of fact may be deemed to be forward-looking statements, including statements with regard to expected financial performance, strategy and business conditions. The words "believe", "plan", "intend", "estimate", "expect", "anticipate", "continue", or "potential", and similar expressions, as well as future or conditional verbs such as "will", "should", "would", and "could" often identify forward-looking statements. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management as of the date of this Annual Information Form including reasonable assumptions, estimates, internal and external analysis and opinions of management considering its experience, perception of trends, current conditions and expected developments as well as other factors that management believes to be relevant as at the date such statements are made. Capitalized terms used in this section and not defined have the meanings ascribed to them in "*Glossary of Key Terms*".

Without limitation, this Annual Information Form contains forward-looking statements pertaining to:

- the expected performance of the Group's business and operations;
- the export of the Group's cannabis products from Canada and import into Israel and Germany on a consistent basis or at all;
- the import into Israel and Germany of cannabis from supply partners in Canada and elsewhere on a consistent basis or at all;
- the ability to satisfy rapid growth in demand for imported High-THC premium and super-premium medical cannabis in Israel and Germany;
- the Group's expansion and development of its foreign operations and supply arrangements; expansion of cultivation capacity;
- the Group's intentions regarding leveraging its German operational platform and further developing its presence in Europe;
- expectations regarding the Group's revenues, expenses and profits;
- expectations in the growth of demand in the medical cannabis industry, including without limitation, in Israel and Germany;
- the Company's positioning as one of the largest distributors of medical cannabis in Israel after acquiring the Israeli Pharmacies and Rosen High Way, Panxia GDP License and Panaxia-to-the-Home Operation;
- the competitive conditions of the medical and recreational cannabis industry, including ancillary industries such as medical cannabis operations consulting;

- the anticipated legalization and/or decriminalization of adult-use recreational cannabis in Israel and Germany and the Group's business intentions in the event such legalization and/or decriminalization occurs;
- the Company's expectations relating to the Canadian Facilities;
- TJAC's anticipated regulatory approval to sell its products in the Province of Quebec;
- the Group's anticipated obligations to comply with environmental and employee health and safety matters;
- the Company's expectations relating to the Panxia Pharmacy Option;
- the Group's future product offerings and strategic plans of entering into new domestic and international markets;
- the effect of new or altered government regulations with respect to any cannabis related activity, including the marketing, acquisition, manufacture, management, transportation, storage, sale and disposal of cannabis and cannabis products;
- the grant, maintenance or renewal of licenses or governmental approvals required to conduct activities related to cannabis;
- the designation of Focus as an "essential service" in Israel;
- the intentions of management of the Company;
- the Group's expectations to meet target production capacity;
- the availability of raw materials and supplies at acceptable quantities, qualities and prices;
- the scope of protection the Group is able to establish and maintain, if any, for intellectual property rights covering its products;
- future liquidity and financial capacity;
- the Company's plan with respect to any payments of dividends;
- the vertical integration of the Group's business.
- the expansion of the Company's business, operations and potential activities outside of the current markets, including but not limited to Europe and other international jurisdictions;
- the Group's contractual obligations and commitments.

With respect to the forward looking-statements contained in this Annual Information Form, the Company has made assumptions regarding, among other things:

- the anticipated increase in demand for High-THC premium and super-premium medical cannabis in the markets in which the Group operates or is contemplating operations;
- the anticipated demand for adult-use recreational cannabis in Canada;
- the anticipated increase in liquidity for current investors and enhanced access for prospective investors in the Company's Common Shares following its successful listing on NASDAQ;
- the legalization and/or decriminalization of adult-use recreational cannabis and the demand for adult-use recreational cannabis products in the markets in which the Group operates;
- the Group's ability to satisfy international demand for its products;
- the Group's ability to export from its Canadian Facilities and import into Israel and Germany;
- future cannabis product pricing;
- cannabis production yields; and
- the Group's ability to market its brands and its services successfully to its anticipated patients and consumers.

Readers are cautioned that the above lists of forward-looking statements and assumptions are not exhaustive. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated or implied by such forward-looking statements due to a number of factors and risks. These include:

- the Company's ability to continue to meet the continued listing requirements of the CSE and NASDAQ;
- the failure of the Group to comply with applicable regulatory requirements in a highly regulated industry;
- the failure of the Company to maintain "de facto" control over Focus in accordance with IFRS 10 and to consolidate its financial results;
- the failure of the each of Pharm Yarok, Rosen High Way, Vironna, Oranim and IMC Pharma to maintain in good standing or renew its government-issued cannabis licenses;
- the failure of Focus to maintain in good standing or renew its government-issued cannabis cultivation license;
- the failure of TJAC to maintain in good standing or renew any of the TJAC Licenses or the MYM Licenses;
- the failure of Adjupharm to maintain in good standing or renew any of its government-issued cannabis wholesale, narcotics handling or import/export licenses, permits, certificates or approvals;
- Focus' reliance on the Focus Facility to conduct medical cannabis activities;
- the failure of Focus to maintain the Focus Facility in good standing with all state and municipal Israeli regulations, including all required licenses and permits and under the Focus Lease Agreement;
- failure to maintain in good standing any of the Israeli Facilities, the Canadian Facilities and the Logistics Centre;
- compliance with the Cannabis Act, and provincial and territorial cannabis legislation =;
- reliance on the Canadian Facilities to conduct cannabis activities;
- the Group's ability to maintain ancillary business licenses, permits and approvals required to operate effectively;
- regulatory authorities in Israel viewing the Company as the deemed owner of more than 5% of Focus in contravention of Israeli regulations;
- limitations on stockholdings of the Company in connection with its potential direct engagement in the Israeli medical cannabis market;
- unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture import/export or use of cannabis in Canada, Israel and Germany, or any foreign jurisdictions in which the Company intends to operate;
- the failure of the Company to attain the necessary regulatory approvals required for the successful acquisition of HW Shinua and the successful exercise of the Panaxia Pharmacy Option in a timely manner or at all;
- the Group's possible exposure to liability, the perceived level of risk related thereto, and the anticipated results of any litigation or other similar disputes or legal proceedings involving the Group, including but not limited to the Construction Allegations, the MOH Allegations (each as defined herein) and the class action proceedings described herein;
- the ability of the Group's third-party cultivators, suppliers, distribution partners, and contracted pharmacies to fulfil their obligations to the Group;
- the Group's ability to maintain partnerships with third-party cultivators, suppliers and distribution partners;
- the Group's ability to secure new supply and distribution partners;
- the Group's ability to fulfil obligations to third-party distribution partners;
- the Group's ability to obtain or maintain sufficient insurance for its operations;
- the Group's possible exposure to additional liability for claims in excess of insurance coverage;

- the Group's ability to implement effective product security and storage measures;
- the Group's ability to conduct sales and marketing activities for its products;
- the Group's ability to retain and attract key personnel and members of management;
- the Group's ability to develop or facilitate introduction of new product offerings to the market;
- the Group's possible exposure to liability relating to product recalls;
- the Company's ability to raise additional funds;
- the Company's ability to manage cash flows;
- inflation risks.
- anti-money laundering laws and regulation risks;
- the Group's ability to cope with the operational impacts of the COVID-19 pandemic;
- the impact on the Group of any changes in global financial conditions, including those caused by geopolitical instability, catastrophic events, natural disasters, weather and disease;
- Focus, TJAC and MYM's ability to grow agricultural products effectively in light of natural elements;
- the impact of increasing competition;
- inconsistent public opinion and perception regarding the use of cannabis;
- perceived effects of cannabis products;
- any change in the political environment which would negatively affect the decriminalization and/or legalization of adult-use recreational cannabis in Israel and Germany;
- engaging in activities considered illegal under relevant laws including U.S. federal law;
- political instability and conflict in the Middle East;
- the conflict between Russia and Ukraine and any restrictive actions that have been and may further be taken by the U.S. and/or other countries in response thereto, including but not limited sanctions, export controls or conflict;
- adverse market conditions;
- competition from the illegal cannabis market;
- industry consolidation;
- the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses;
- the potential for the Company to record future impairment losses;
- currency and interest rate fluctuations;
- global and local economic conditions;
- the costs of inputs; and
- reliance on management.

The foregoing list of risk factors is not exhaustive. Additional information on these and other factors that could affect the business, operations or financial results of the Company are detailed under the heading " *Risk Factors*" of this Annual Information Form. Unless otherwise indicated, forward-looking statements in this Annual Information Form describe our expectations as of the date of this Annual Information Form. The Company and management caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. The Company and management assume no obligation to update or revise them to reflect new events or circumstances except as required by applicable securities laws.

MARKET AND INDUSTRY DATA

This Annual Information Form contains market and industry data and forecasts obtained from third-party sources, industry publications and publicly available information. The Company believes that the industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Although management believes it to be reliable, the Company has not independently verified any of the data from third-party sources referred to in this Annual Information Form, or analyzed or verified the underlying information relied upon or referred to by such sources, or ascertained the underlying economic assumptions relied upon by such sources.

NOTE REGARDING THE COMPANY'S ACCOUNTING PRACTICES

The Company complies with IFRS 10, which applies a single consolidation model using a definition of "control" that requires an investor (as defined in IFRS 10) to consolidate an investee (as defined in IFRS 10) where: (i) the investor has power over the investee; (ii) the investor has exposure or rights to variable returns from involvement with the investee; and (iii) the investor can use its power over the investee to affect the amount of the investor's returns.

Subsequent to the IMC Restructuring, the Company analyzed the terms of the contractual agreements with Focus (including the Commercial Agreements and the Focus Agreement) in accordance with IFRS 10 and concluded that it is required to continue to consolidate the financial results of Focus in its financial statements. For additional information, please see "*Risk Factors – Consolidation of Focus Financial Results under IFRS 10 and Maintenance of Common Control*".

For the period ended December 31, 2021, the Company analyzed the terms of the definitive agreements with each of Pharm Yarok, Rosen High Way, HW Shinua, Vironna and Oranim Plus (collectively, the "**Consolidated Entities**") in accordance with IFRS 10 and concluded a requirement to consolidate the financial results of the Consolidated Entities as of the date of signing each such definitive agreement. Each of the definitive agreements for the Pharm Yarok Transaction, the Vironna Transaction and the Oranim Transaction provide the Company with the power to unilaterally make all decisions regarding the financial and operating policies of each of the Consolidated Entities and the right to obtain all related economic benefits. The Pharm Yarok Transaction, the Vironna Transaction and the Oranim Transaction were completed in the first quarter of 2022. The completion of the Pharm Yarok Transaction with respect to HW Shinua is still pending IMCA approval, therefore the Company continues to consolidate the financial results of HW Shinua in accordance with IFRS 10. For further information on the closing the transactions, please see *"General Development of Business – Developments During the Financial Year Ended December 31, 2021".*

CURRENCY AND EXCHANGE RATES

References in this AIF to "**CAD**", "**$**", dollars or currency are to the lawful currency of Canada, unless otherwise indicated. In addition, this AIF includes references to (i) "**NIS**" which means the New Israeli Shekel, the lawful currency of the State of Israel. As of March 30, 2022, the value of one Canadian dollar expressed in NIS, based on the exchange rate available through the Bank of Israel, is NIS 2.5545, and (ii) "**USD**" or "**US$**" which means the United States Dollar, the lawful currency of the United States of America. As of March 25, 2022, the value of one Canadian dollar expressed in USD, based on the exchange rate available through the U.S. Federal Reserve, is US$0.799; (iii) "**EUR**" which means the Euro, the lawful currency of the European Union. As of March 30, 2022, the value of one Canadian dollar expressed in EUR, based on the exchange rate available through the European Central Bank, is EUR 0.7199.

GLOSSARY OF KEY TERMS

Unless otherwise indicated, the following terms used in this Annual Information Form shall have the meanings ascribed to them as set forth below:

"**1961 Single Convention on Narcotic Drugs**" means the *Single Convention on Narcotic Drugs, 1961*, an international treaty regarding the international control of narcotic drugs;

"**2019 Broker Compensation Options**" means the 1,199,326 Common Share purchase warrants issued to certain agents who acted on the Company's behalf in connection with the Reverse Takeover Transaction. Each four 2019 Broker Compensation Options are exercisable on an adjusted basis to acquire one unit consisting of one post-Consolidation Common Share and two pre-Consolidation 2019 Unlisted Warrants at an adjusted exercise price of $4.20 until August 30, 2022;

"**2019 Listed Warrants**" means the 9,730,258 Common Share purchase warrants issued in connection with the Reverse Takeover Transaction, with each four 2019 Listed Warrants being exercisable on an adjusted basis for one post-Consolidation Common Share at an exercise price of $5.20. The 2019 Listed Warrants were listed for trading on the CSE under the symbol "IMCC.WT" and expired on October 11, 2021;

"**2019 Unlisted Warrants**" means the Common Share purchase warrants underlying the 2019 Broker Compensation Options upon exercise, with each four 2019 Unlisted Warrants being exercisable on an adjusted basis to acquire one post-Consolidation Common Share at an exercise price of $5.20 until August 30, 2022;

"**2021 Broker Compensation Options**" means the 182,608 Common Share purchase warrants issued to certain agents who acted on the Company's behalf in connection with the 2021 Offering. Each 2021 Broker Compensation Option is exercisable for one Common Share at an exercise price of US$6.61 until November 5, 2024.

"**2021 Offered Shares**" means the 6,086,956 Common Shares issued in connection with the 2021 Offering at a price of US$5.75 per 2021 Offered Share;

"**2021 Offered Warrants**" means the 3,043,478 Common Share purchase warrants issued in connection with the 2021 Offering, with each 2021 Offered Warrant being exercisable to acquire one Common Share at an exercise price of US$7.20 until May 7, 2026;

"**2021 Offering**" has the meaning set out in "*General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments During the Financial Year Ended December 31, 2021* ";

"**2021 Stock Option Plan**" means the "rolling" stock option plan approved by shareholders of the Company on July 28, 2021;

"**ACMPR**" means *Access to Cannabis for Medical Purposes Regulations* ;

"**Adjupharm**" means Adjupharm GmbH, a company incorporated under the laws of Germany and a subsidiary of IMC Holdings;

"**Adjupharm Licenses**" has the meaning set out in "*Description of the Business – Production, Distribution and Sales in Principal Markets – Europe*";

"**AMG**" means *German Medicines Act*;

"**BCBCA**" means the *Business Corporations Act* (British Columbia), as amended, including all regulations promulgated thereunder;

"**BfArM**" has the meaning set out in "*Medical Cannabis Regulatory Framework in Israel and Germany – Germany – Cultivation in Germany and Distribution of Medical Cannabis Cultivated in Germany*";

"**Board**" means the board of directors of the Company as presently constituted;

"**Broker Compensation Options**" means, collectively, the 2019 Broker Compensation Options and the 2021 Broker Compensation Options of the Company;

"**BtMG**" has the meaning set out in "*Medical Cannabis Regulatory Framework in Israel and Germany – Germany*";

"**CAD**" means Canadian Dollars;

"**Canadian Facilities**" means, collectively, the TJAC Facilities and the MYM Facilities;

"**Canadian Licenses**" means, collectively, the TJAC Licenses and the MYM Licenses;

"**Cannabis Act**" means the *Cannabis Act* (Canada), as amended, and the Cannabis Regulations.

"**Cannabis Agency**" has the meaning set out in "*Medical Cannabis Regulatory Framework in Israel and Germany – Germany – Cultivation in Germany and Distribution of Medical Cannabis Cultivated in Germany*";

"**Cannabis Regulations**" means the *Cannabis Regulations* (Canada) made under the Cannabis Act;

"**CBD**" means cannabidiol;

"**cbdMD**" means cbdMD, Inc.;

"**CBN**" means cannabinol;

"**CEO**" means chief executive officer;

"**CFO**" means chief financial officer;

"**Commercial Agreements**" has the meaning set out in "*Corporate Structure – Intercorporate Relationships*";

"**Common Shares**" means at any particular time the issued and outstanding common shares in the capital of the Company at that time;

"**Company**" means IM Cannabis Corp., a corporation continued under the BCBCA with its registered office located in Vancouver, British Columbia;

"**Consolidation**" has the meaning set out in "*General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments During the Financial Year Ended December 31, 2021*";

"**Consolidated Entities**" has the meaning set out in "*Note Regarding the Company's Accounting Practices*";

"**Construction Allegations**" has the meaning set out in "*Risk Factors – Reliance on Focus Facility*";

"**COVID-19**" means the COVID-19 novel coronavirus;

"**CSA Staff Notice 51-352**" means Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-related Activities* of the Canadian Securities Administrators.

"**CSE**" means the Canadian Securities Exchange;

"**Dangerous Drugs Ordinance**" or "**DDO**" means the Dangerous Drugs Ordinance [New Version], 1973 [Hebrew];

"**Directive 150**" means Directive 150/2016 – IMC-GSP certification, the IMCA directive that sets the standards for the security and protection measures that must be taken throughout the entire supply chain of medical cannabis; [1]

"**Directive 151**" means Directive 151/2016 – IMC-GAP certification, the IMCA directive that sets the norms and standards for growing medical cannabis in Israel; [2]

"**Directive 152**" means Directive 152/2016 – IMC-GMP certification, the IMCA directive that provides the IMC-GMP rules and standards for the creation and production of medical cannabis goods in Israel; [3]

"**Directive 153**" means Directive 153/20163 – IMC-GDP certification, the IMCA directive that sets the conditions for the proper storage and delivery of medical cannabis products in Israel; [4]

"**EU**" means the European Union;

"**EU-GACP Standard**" means the good agricultural and collection practice standard set out by the European Union and coordinated by the European Medicines Agency for companies that cultivate, harvest and collect cannabis to manufacture, process, package and store;

"**EU-GMP Standard**" or "**EU-GMP**" means the good manufacturing practice standard set out by the European Union and coordinated by the European Medicines Agency for manufacturers of medical products intended for the European Union market;

"**EUR**" has the meaning set out in "*Currency and Exchange Rates*";

"**Export Guidelines**" has the meaning set out in "*Medical Cannabis Regulatory Framework in Israel and Germany – Israel – Medical Cannabis Exports*";

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1 Directive 150 [Hebrew] - https://www.health.gov.il/hozer/mmk150_2016.pdf
2 Directive 151 [Hebrew] - https://www.health.gov.il/hozer/mmk151_2016.pdf
3 Directive 152 [Hebrew] - https://www.health.gov.il/hozer/mmk152_2016.pdf
4 Directive 153 [Hebrew] - https://www.health.gov.il/hozer/mmk153_2016.pdf

"**Export Resolution**" has the meaning set out in "*Medical Cannabis Regulatory Framework in Israel and Germany – Israel – Medical Cannabis Exports* ";

"**Final Shelf Prospectus**" has the meaning set out in "*General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments During the Financial Year Ended December 31, 2021* ";

"**Focus**" means Focus Medical Herbs Ltd., a limited liability company existing under the laws of the State of Israel;

"**Focus Agreement**" means the option agreement between IMC Holdings and Focus dated April 2, 2019 whereby IMC Holdings has an option to purchase, at its sole discretion, all of the issued and outstanding ordinary shares of Focus at a price equal to NIS 765.67 per ordinary share for total consideration of NIS 2,756,500 for a period of 10 years following the date of the IMC Restructuring;

"**Focus Facility**" means the cultivation facility in Moshav Sde Avraham, Israel, operated by Focus pursuant to the Focus Lease Agreement;

"**Focus Lease Agreement**" means the long-term land lease agreements between Focus and the landowners on which the Focus Facility is built and operated;

"**Focus License**" has the meaning set out in "*Description of the Business – Production, Distribution and Sales in Principal Markets – Israel* ";

"**GDPR**" means the General Data Protection Regulation (EU) 2016/679;

"**German Local Tender**" has the meaning set out in "*Medical Cannabis Regulatory Framework in Israel and Germany – Germany – Cultivation in Germany and Distribution of Medical Cannabis Cultivated in Germany* ";

"**Group**" means, collectively, the Company, its subsidiaries, and Focus, an Israeli private company over which IMC Holdings exercises "de facto control" under IFRS 10;

"**Highland Facility**" has the meaning set out in "*General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments Following the Financial Year Ended December 31, 2021* ";

"**HW Shinua**" means High Way Shinua Ltd.;

"**IFRS**" means International Financial Reporting Standards as issued by the International Accounting Standards Board applicable as at the relevant date;

"**IFRS 10**" means IFRS 10 *Consolidated Financial Statements*, the reporting standard under IFRS outlining the requirements for the preparation and presentation of consolidated financial statements when an entity controls one or more other entities;

"**IMC-GAP**" or "**GAP Standard**" means the good agricultural practices standard set out by the IMCA in Directive 151, and is required for Israeli cultivation licenses;

"**IMC-GDP**" or "**GDP Standard**" means the good manufacturing practices standard set out by the IMCA in Directive 153, and is required for Israeli transportation, storage and distribution licenses;

"**IMC-GMP**" or "**GMP Standard**" means the good manufacturing practices standard set out by the IMCA in Directive 152, and is required for Israeli manufacturing licenses;

"**IMC-GSP**" or "**GSP Standard**" means the good security practices standard set out by the IMCA in Directive 150, and is required throughout the Israeli supply chain for cannabis-related activities;

"**IMC Holdings**" means I.M.C. Holdings Ltd., a limited liability company existing under the laws of the State of Israel and a wholly-owned subsidiary of the Company;

"**IMC Netherlands Holdco**" has the meaning set out in "*General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments During the Financial Year Ended December 31, 2020* ";

"**IMC Pharma**" means I.M.C. Pharma Ltd., a limited liability company existing under the laws of the State of Israel and a wholly-owned subsidiary of IMC Holdings;

"**IMC Restructuring**" has the meaning set out in "*Corporate Structure – Intercorporate Relationships*";
"**IMCA**" means the Israeli Medical Cannabis Agency, an agency operated by the MOH;

"**IP Agreement**" means the License Agreement dated as of April 2, 2019 and as amended on January 1, 2021, by and between IMC Holdings and Focus, which provides, as further specified herein, Focus' obligation to exclusively use IMC Holdings' intellectual property, as further discussed in "*General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments Following the Financial Year Ended December 31, 2021*";;

"**Israeli Facilities**" means, collectively, the facilities of the Israeli Pharmacies, and the facilities of Rosen High Way and IMC Pharma;

"**Israeli Licenses**" means, collectively, the licenses held by the Israeli Pharmacies, the license held by Rosen High Way, the Panaxia GDP License held by IMC Pharma and the Focus License;

"**Israeli Pharmacies**" means collectively, Pharm Yarok, Vironna and Oranim Pharm;

"**IT systems**" has the meaning set out in "*Risk Factors – Information Technology*";

"**kg**" means a kilogram;

"**Licensed Producer**" has the meaning set out under the Cannabis Act;

"**Logistics Centre**" has the meaning set out in "*General Development of the Business – Developments during the Financial Year Ended December 31, 2021* ";

"**MOH**" means the Israeli Ministry of Health;

"**MOH Allegations**" has the meaning set out in "*Risk Factors – Reliance on Focus Facility*";

"**MOH Regulations**" means the Dangerous Drugs Ordinance, any amendments of the Dangerous Drugs Ordinance, any regulations enacted by virtue of the Dangerous Drugs Ordinance from time to time, and the regulatory regime introduced by the MOH with respect to the medical cannabis industry in Israel, including the Road Map, Procedure 106, Procedure 109, the Export Resolution and the Export Guidelines;

"**MYM**" means MYM Nutraceuticals Inc., a company incorporated under the laws of the Province of British Columbia and a wholly-owned subsidiary of Trichome;

"**MYM Facilities**" means, collectively, the Highland Facility and the Sublime Facility;

"**MYM Licenses**" means the Standard Processing, Standard Cultivation and Sale for Medical Purposes licenses issued by Health Canada for the Highland Facility, and the Standard Cultivation license issued by Health Canada for the Sublime Facility;

"**NASDAQ**" means the NASDAQ Capital Market;

"**NGC**" means Northern Green Canada Inc.;

"**NGC Supply Agreement**" has the meaning set out in *General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments During the Financial Year Ended December 31, 2021* "

"**NI 51-102**" means National Instrument 51-102 – *Continuous Disclosure Obligations*;

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees*;

"**NIS**" means the New Israeli Shekel;;

"**NMCP**" has the meaning set out in "*Medical Cannabis Regulatory Framework in Israel and Germany – Israel* ";

"**OBCA**" means the *Business Corporations Act* (Ontario), as amended, including all regulations promulgated thereunder;

"**Option Cap**" has the meaning set out in "*Description of Capital Structure – Options*";

"**Options**" means incentive stock options to purchase Common Shares granted to certain eligible participants of the Company in accordance with the terms of the 2021 Stock Option Plan and the Predecessor Option Plan;

"**Oranim Pharm**" means Oranim Pharm Partnership;

"**Oranim Plus**" means Oranim Plus Pharm Ltd., a limited liability company existing under the laws of the State of Israel and a subsidiary of IMC Holdings, holding 99.5% in Oranim Pharm;

"**Oranim Transaction**" has the meaning set out in "*General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments Following the Financial Year Ended December 31, 2021* ";

"**Panaxia**" means, collectively, Panaxia Pharmaceutical Industries Israel Ltd. and Panaxia Logistics Ltd., part of the Panaxia Labs Israel, Ltd. group of companies;

"**Panaxia GDP License**" means the trading house license acquired from Panaxia by IMC Pharma as part of the Panaxia Transaction and;

"**Panaxia Transaction**" has the meaning set out in "*General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments Following the Financial Year Ended December 31, 2021* ";

"**Person**" means an individual, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator or other legal representative;

"**Pharm Yarok**" means R.A. Yarok Pharm Ltd., a limited liability company existing under the laws of the State of Israel and a wholly-owned subsidiary of IMC Holdings;

"**Pharm Yarok Group**" means, collectively, Pharm Yarok, Rosen High Way and HW Shinua;

"**Pharm Yarok Transaction** " has the meaning set out in "*General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments Following the Financial Year Ended December 31, 2021*";

"**PIPEDA**" means the *Personal Information Protection and Electronic Documents Act* (Canada);

"**Predecessor Stock Option Plan**" means the Company's previous "rolling" stock option plan, as amended and restated on December 16, 2020, and replaced by the 2021 Stock Option Plan on July 28, 2021;

"**Preliminary Shelf Prospectus** " has the meaning set out in "*General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments During the Financial Year Ended December 31, 2021*";

"**Procedure 106**" has the meaning set out in "*Medical Cannabis Regulatory Framework in Israel and Germany – Israel – Patient Medical Use* ";

"**Procedure 109**" has the meaning set out in "*Medical Cannabis Regulatory Framework in Israel and Germany – Israel – Medical Cannabis Imports* ";

"**Qualified Securities**" has the meaning set out in "*General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments During the Financial Year Ended December 31, 2021* ";

"**Registration Statement**" has the meaning set out in "*General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments During the Financial Year Ended December 31, 2021* ";

"**Reverse Takeover Transaction**" has the meaning set out in "*General Development of the Business – The Reverse Takeover Transaction* ";

"**Road Map**" has the meaning set out in "*Medical Cannabis Regulatory Framework in Israel and Germany – Israel – Licensing and Authorization for Commercial Activities in the Medical Cannabis Field* ";

"**Rosen High Way**" means Rosen High Way Ltd. a limited liability company existing under the laws of the State of Israel and a wholly-owned subsidiary of IMC Holdings;

"**RSU**" means a restricted share unit of the Company;

"**RSU Plan**" means the "rolling" restricted share unit plan approved by shareholders of the Company on December 16, 2020;

"**SEC**" means the United States Securities and Exchange Commission;

"**Securities Commissions**" has the meaning set out in "*General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments During the Financial Year Ended December 31, 2021* ";

"**Services Agreement**" means the services agreement dated as of April 2, 2019 and as amended on January 1, 2021, by and between IMC Holdings and Focus, requiring Focus to exclusively use IMC Holdings for the following services: (a) business development services, (b) marketing services, (c) strategic advisory services, (d) locating potential collaborations on a worldwide basis, and (e) financial analysis services, as further discussed in "*General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments Following the Financial Year Ended December 31, 2021*";

"**Shiran**" means Shiran Single Member Societe Anonyme;

"**Sublime Lease**" has the meaning set out in "*Description of the Business – Production, Distribution and Sales in Principal Markets – Canada";*

"**Sublime Facility**" has the meaning set out in "*General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments Following the Financial Year Ended December 31, 2021* ";

"**Subscription Receipts**" has the meaning set out in *General Development of the Business – Developments Following the Reverse Takeover Transaction – The Reverse Takeover Transaction"* ;

"**THC**" means tetrahydrocannabinol;

"**TJAC**" means Trichome JWC Acquisition Corp., a company incorporated under the laws of the Province of Ontario and a wholly-owned subsidiary of Trichome *;*

"**TJAC Facilities**" has the meaning set out in "*Production, Distribution and Sales in Principal Markets – Canada";*

"**TJAC Licenses**" has the meaning set out in "*Description of the Business – Production, Distribution and Sales in Principal Markets – Canada* "; "**TJAC Leases**" has the meaning set out in "*Production, Distribution and Sales in Principal Markets – Canada";*

"**Trichome**" means Trichome Financial Corp. a company incorporated under the laws of the Province of Ontario and a wholly-owned subsidiary of the Company;

"**Trichome Shares**" means all of the issued and outstanding shares of Trichome;

"**Trichome Transaction**" has the meaning set out in "*General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments During the Financial Year Ended December 31, 2021* ";

"**U.S.**" means the United States of America;

"**USD**" means United States Dollars;

"**Vironna**" means Revoly Trading and Marketing Ltd. dba Vironna Pharm a limited liability company existing under the laws of the State of Israel and a subsidiary of IMC Holdings;

"**Vironna Transaction**" has the meaning set out in "*General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments Following the Financial Year Ended December 31, 2021* ";

"**Warrants**" means collectively the 2019 Listed Warrants, the 2019 Unlisted Warrants and the 2021 Offered Warrants; and

Words importing the singular number only include the plural and vice versa, and words importing any gender include all genders.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Company was incorporated as "Nirvana Oil & Gas Ltd." pursuant to a Certificate of Incorporation issued under the BCBCA on March 7, 1980. Effective July 12, 2013, in connection with a share consolidation, the Company changed its name to "Navasota Resources Inc."

On June 22, 2018, the Company completed a consolidation of its Common Shares on the basis of one (1) post-consolidation Common Share for every 5 pre-consolidation Common Shares.

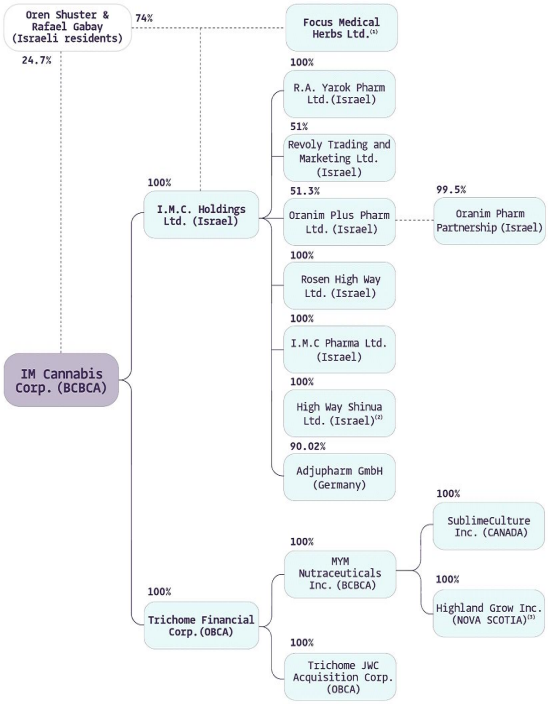
On October 4, 2019, in connection with the Reverse Takeover Transaction, the Company effected a consolidation of its Common Shares on the basis of one (1) post-consolidation Common Share for every 2.83 pre-consolidation Common Shares, changed its name to "IM Cannabis Corp." and changed its business from mining to the international medical cannabis industry.

On February 12, 2021, in connection with its NASDAQ listing application, the Company effected the Consolidation on the basis of one (1) post-Consolidation Common Share for every four (4) pre-Consolidation Common Shares.

The Company's head office is located at Kibbutz Glil Yam, Israel and its registered office is located at 550 Burrard Street, Suite 2300, Bentall 5, Vancouver, British Columbia, V6C 2B5, Canada. The Company is a reporting issuer under the laws of each of the provinces and territories of Canada.

Intercorporate Relationships

The organizational chart of the Group, including the governing law or the jurisdiction of organization of the Company and each material subsidiary and the percentage of voting securities beneficially owned, or controlled or directed, directly or indirectly, by the Company, is set out below.


Oren Shuster & Rafael Gabay (Israeli residents)
74%
Focus Medical Herbs Ltd.(1)
24.7%
100%
R.A. Yarok Pharm Ltd.(Israel)
51%
Revoly Trading and Marketing Ltd. (Israel)
100%
I.M.C. Holdings Ltd. (Israel)
51.3%
Oranim Plus Pharm Ltd. (Israel)
99.5%
Oranim Pharm Partnership (Israel)
100%
Rosen High Way Ltd. (Israel)
100%
I.M.C Pharma Ltd. (Israel)
IM Cannabis Corp. (BCBCA)
100%
High Way Shinua Ltd. (Israel)(2)
90.02%
Adjupharm GmbH (Germany)
100%
SublimeCulture Inc. (CANADA)
100%
MYM Nutraceuticals Inc. (BCBCA)
100%
Highland Grow Inc. (NOVA SCOTIA)(3)
100%
Trichome Financial Corp.(OBCA)
100%
Trichome JWC Acquisition Corp. (OBCA)

Notes:

(1) Current Israeli law requires the prior approval by the IMCA of any shareholder owning 5% or more of an Israeli company licensed to engage in cannabis-related activities. For a number of reasons, including the opportunity to leverage a network of multiple Israeli licensed producers cultivating under the IMC brand, and in contemplation of a "go-public transaction" to geographically diversify the Company's share ownership, IMC Holdings restructured its organization on April 2, 2019 (the "**IMC Restructuring**") resulting in the divestiture to Oren Shuster and Rafael Gabay of its interest in Focus, which is licensed by the IMCA to cultivate cannabis in Israel, while retaining an option with Messrs. Shuster and Gabay to re-acquire the sold interest in Focus under the Focus Agreement for consideration equal to the price paid by Messrs. Shuster and Gabay for the acquired interests at the time of the IMC Restructuring.

In addition, as part of the IMC Restructuring, IMC Holdings and Focus entered into the IP Agreement and the Services Agreement (collectively, the " **Commercial Agreements**"), which entitles the Company to a share of Focus revenues from the sale by Focus of IMC-branded medical cannabis products. Although the Company does not hold any voting interests in Focus, the Company consolidates the financial results of Focus in its financial statements by virtue of its "de facto" control over Focus in accordance with IFRS 10. For more information on the Company's corporate structure with respect to Focus and the Company's accounting practices, please see "*Note Regarding the Company's Accounting Practices*". For more information on the Commercial Agreements, please see " *Description of the Business – Economic Dependence* ".

(2) In March 2022, IMC Holdings received all requisite approvals, including the approval of the IMCA, to complete the acquisition of Pharm Yarok, Rosen High Way, Vironna and Oranim Pharm, each a licensed entity by the IMCA to carry on activities in the Israeli medical cannabis market. IMC Holdings is now a shareholder of licensed entities engaging in cannabis-related activities in Israel. The closing of HW Shinua is still pending the IMCA approval, and therefore its financial results continue to be consolidated according to IFRS 10. For more information on the acquisitions and closing of the Consolidated Entities, please see "*General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments During the Financial Year Ended December 31, 2021* " and "*General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments Following the Financial Year Ended December 31, 2021* ". For more information on the Company's corporate structure with respect to HW Shinua and the Company's accounting practices, please see "*Note Regarding the Company's Accounting Practices*".

(3) Highland Grow is 100% held by MYM through MYM International Brand Inc., a wholly owned subsidiary of MYM.

GENERAL DEVELOPMENT OF THE BUSINESS

The following discussion covers key events during the Company's historical development over the last three completed financial years, as well as certain subsequent events to the date of this Annual Information Form.

Introduction

IM Cannabis is a leading international cannabis company providing premium cannabis products to medical patients in Israel and Germany and adult-use recreational consumers in Canada.

The Company's Common Shares are listed on both the NASDAQ and the CSE under the ticker symbol "IMCC". The Common Shares commenced trading on the NASDAQ as of March 1, 2021, and on the CSE as of November 5, 2019.

The business of the Company was formed following the Reverse Takeover Transaction, pursuant to which the Company changed its name from "Navasota Resources Inc." to "IM Cannabis Corp." and changed its business from mining to the international medical cannabis industry.

The Reverse Takeover Transaction

On October 11, 2019, the Company completed a business combination with IMC Holdings resulting in a reverse takeover of the Company by shareholders of IMC Holdings (the " **Reverse Takeover Transaction** "). The Reverse Takeover Transaction was effected by way of a "triangular merger" between the Company, IMC Holdings and a wholly-owned subsidiary of the Company pursuant to Israeli statutory law. The Board and management of the Company were reconstituted and subsequently led by Oren Shuster.

In connection with the Reverse Takeover Transaction, the Company completed a private placement offering of 19,460,527 subscription receipts (" **Subscription Receipts**"), on a pre-Consolidation (as defined below) basis, of a wholly-owned subsidiary of the Company at a price of $1.05 per Subscription Receipt for aggregate gross proceeds of approximately $20.4 million. Upon completion of the Reverse Takeover Transaction, each Subscription Receipt was exchanged for one unit comprised of one (1) Common Share and one-half of one (1/2) warrant (each whole warrant, a "**2019 Listed Warrant**"). Each 2019 Listed Warrant was exercisable for one Common Share at an exercise price of $1.30 for a period of 24 months following the closing of the Reverse Takeover Transaction. A total of 9,730,258 2019 Listed Warrants were issued and listed for trading on the CSE under the ticker "IMCC.WT". The 2019 Listed Warrants expired on October 11, 2021.

Developments Following the Reverse Takeover Transaction

Developments During the Financial Year Ended December 31, 2019

On December 26, 2019, IMC Holdings entered into a share purchase agreement with Xinteza API Ltd. (" **Xinteza**"), a company with a unique biosynthesis technology, whereby the Company acquired, on an as-converted and fully diluted basis, 25.37% of Xinteza's outstanding share capital, for consideration of US$1,700,000 (approximately $2,223,000, according to the December 24, 2019 exchange rate published by the Bank of Canada) paid in several installments (the "**Xinteza SPA**"). As of September 30, 2020, the Company has paid all outstanding installments pertaining to the Xinteza SPA, and as of the date of this AIF currently holds 23.35% of the outstanding share capital of Xinteza on an as-converted and fully diluted basis. Under an exclusive license from Yeda Research & Development Company Ltd., the commercial division of the Weizmann Institute of Science, and based on disruptive plant genetics and metabolomics research led by Professor Asaph Aharoni, Xinteza has been developing advanced proprietary technologies related to the production of cannabinoid-based active pharmaceutical ingredients for the pharmaceutical and food industries using biosynthesis and bio-extraction technologies.

Developments During the Financial Year Ended December 31, 2020

On March 30, 2020, Focus signed a three-year sales agreement for the sale of IMC-branded medical cannabis products with three pharmacies in Jerusalem operating under the Oranim Pharm and Medi Plus banners, under which Focus is to supply such pharmacies with a total of 800kg of medical cannabis products annually for a period of three years, commencing in 2021, for an aggregate of 2,400kg of medical cannabis products at a contracted price. On December 1, 2021, IMC Holdings entered into the Oranim Transaction to acquire 51% of the rights in Oranim Pharm. The Oranim Transaction completed in March 2022. For additional information, please see "*General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments During the Financial Year Ended December 31, 2021"* and "*Description of the Business – Israel"*.

On March 31, 2020, Focus signed a supply agreement with Way of Life Ltd., an IMC-GAP certified cultivator (" **Way of Life**"), to purchase a total of approximately 1,500kg of medical cannabis over three years. All finished products produced from the medical cannabis supplied under such supply agreement will be sold under the IMC brand to pharmacies in Israel.

In April, 2020, Focus signed three binding agreements with licensed pharmacies in Israel for the sale of medical cannabis products under the IMC brand, including: (i) a two-year sales agreement with Shor Tabachnik pharmacies ("**Tabachnik**"), according to which Focus will sell Tabachnik 1,000kg of medical cannabis products beginning in 2021; (ii) a three-year sales agreement with Super-Pharm (Israel) Ltd. (" **Super-Pharm**"), according to which Focus will sell to Super-Pharm a total of 13,575kg of medical cannabis products; and (iii) a three-year sales agreement with Max Pharm Ltd. ("**Max Pharm**"), under which Max Pharm will purchase a total of 500kg of medical cannabis products annually. In 2021, the Group entered the distribution and retail segments of the Israeli medical cannabis market through agreements to acquire several Israeli pharmacies focused on the sale of medical cannabis to patients, and GDP licenses to enable the Group to store and distribute large quantities of medical cannabis and therefore to conduct effective procurement and optimize its margins. As a result, the Group is able to stream more of its IMC-branded products to its own retail companies, and accordingly adjusted, by mutual consent, the quantities to be sold under the aforementioned agreements with Tabachnik, Super Pharm and Max Pharm to be on an ongoing demand basis. For additional information, please see ""*General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments During the Financial Year Ended December 31, 2021"* and "*Description of the Business – Israel*".

On April 13, 2020, Focus signed a one-year binding agreement for the sale of 1,000kg of medical cannabis products under the IMC brand to Panaxia Labs Israel, Ltd. at an agreed upon price.

On April 21, 2020, Focus signed a binding three-year agreement for the sale of 12,600kg of medical cannabis products under the IMC brand to Pharm Yarok, according to which, Focus will sell to Pharm Yarok a total of 12,600kg of medical cannabis products under the IMC brand between 2021 and 2023 at an agreed upon price, subject to Pharm Yarok meeting certain regulatory requirements. On July 28, 2021, IMC Holdings entered into the Pharm Yarok Transaction to acquire all of the issued and outstanding shares of the Pharm Yarok Group and subsequently completed the acquisition in March 2022. For additional information, please see "*General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments During the Financial Year Ended December 31, 2021*" and "*Description of the Business – Israel*".

On May 8, 2020, Adjupharm received regulatory confirmation for the import of up to 5,800kg of medical cannabis products into Germany from foreign suppliers under the Adjupharm Licenses within a 12-month period. Such confirmation allows Adjupharm to import either bulk products, such as dried cannabis flowers and dronabinol, or extract products for end-products, at specified quantities set out in the confirmation.

On May 12, 2020, the Company announced that Adjupharm received a purchase commitment from a distributor in Germany for 465kg of IMC-branded medical cannabis products over a 12-month period.

On June 18, 2020, Focus received its first imported shipment of medical cannabis from a Canadian EU-GMP certified medical cannabis cultivator. The shipment was comprised of approximately 200kg of medical cannabis to be sold by Focus under the IMC brand to pharmacies in Israel.

In July 2020, Adjupharm entered into several binding medical cannabis sales agreements with the following distributors in Germany: Zur Rose Pharma GmbH (" **Zur Rose**"), Axicorp Group, Canymed GmbH and Materia Deutschland GmbH. Focus and Zur Rose agreed to terminate the sales agreement on March 30, 2021.

On July 24, 2020, Focus signed a supply agreement with Ever Green Solomon Pharma Ltd (" **Ever Green**") (the "**Ever Green Supply Agreement**"), an IMC-GAP certified cultivator, for the purchase of all of the medical cannabis production cultivated by Ever Green in an 86,000 square feet area of its facility, over a period of five years, with an option for Focus to extend the term by an additional five years, for a total term of up to 10 years. The finished products created from medical cannabis delivered pursuant to the Ever Green Supply Agreement will be sold by Focus to pharmacies in Israel under the IMC brand. Under the Ever Green Supply Agreement the parties could terminate the agreement after one year of cultivation if the parties did not agree on the quality criteria of the cannabis flowers to be provided by Ever Green. On March 6, 2022, the parties amended the Ever Green Supply Agreement and ceased any future cultivation in the Ever Green Facility. Focus is obligated to purchase the current cannabis products cultivated by Ever Green but will not be required to purchase additional quantities. The Company does not expect any adverse effect of such termination due to its other quality sources of cannabis products, such as imported products from its Canadian Facilities and other supplier partners.

On September 8, 2020, Adjupharm signed distribution agreements for the sale of IMC-branded medical cannabis products with Cansativa GmbH and Ilios Sante GmbH.

On September 9, 2020, Adjupharm signed a distribution agreement for the sale of IMC-branded medical cannabis products with Farmako GmbH.

On September 15, 2020, the Company imported its first shipment of medical cannabis from its EU-GMP supply partner into Germany for distribution and sale through its German distributors, under the IMC brand.

On September 23, 2020, the Company officially launched the IMC brand in Germany as four of the Company's German distribution partners received shipments of medical cannabis products for sale in the German medical cannabis market. The first product bearing the IMC brand available to customers was the High THC T20/1 medical cannabis inflorescences.

On December 29, 2020, Marc Lustig was appointed as Executive Chairman of the Company.

Developments During the Financial Year Ended December 31, 2021 On January 1, 2021, the Company amended the terms of each of the IP Agreement and the Services Agreement to align the consideration with implementation of the Company's transfer pricing framework. The amendments to these agreements constituted a "related party transaction" as such term is defined in Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). The Company was exempt from the formal valuation requirement under Section 5.5(a) and the minority approval requirement under Section 5.7(1)(a) of MI 61-101, respectively, as the fair market value of the amendments, as determined by the Board, did not exceed 25% of the Company's market capitalization on the date of such amendments.

On January 26, 2021, the Company announced that it received confirmation from The Depository Trust Company (" **DTC**") that its Common Shares are eligible for electronic clearing and settlement through DTC in the U.S.

On February 12, 2021, the Company consolidated all of its issued and outstanding Common Shares on a four (4) to one (1) basis (the " **Consolidation**").

On February 22, 2021, the Company appointed Brian Schinderle and Haleli Barath to the Board. Both Mr. Schinderle and Ms. Barath are independent directors under applicable Canadian and United States securities laws. Concurrently with these appointments, Rafael Gabay and Steven Mintz resigned from the Board.

On March 1, 2021, the Company's Common Shares commenced trading on NASDAQ under the ticker symbol "IMCC", making the Company the first Israeli medical cannabis operator to list its shares on NASDAQ.

On March 8, 2021, the Company announced that Focus signed a multi-year supply agreement with GTEC Holdings Ltd. (" **GTEC**"), a Canadian Licensed Producer of handcrafted and high quality cannabis (the " **GTEC Agreement**"). Pursuant to the GTEC Agreement, Focus will import GTEC's high-THC medical cannabis inflorescence into Israel to be sold under the IMC brand. With the arrival of these commercial shipments, the Company will launch a new category of imported premium indoor medical cannabis products under its well-established brand. The first shipment of the Canadian-grown high-THC strains from GTEC's subsidiary, Grey Bruce Farms Incorporated ("**GBF**"), arrived in Q2 2021 and the Company launched a new category of imported premium indoor medical cannabis products under its well-established brand. According to the GTEC Agreement, Focus will purchase a minimum quantity of 500kg of high-THC medical cannabis inflorescence from GBF and will be the exclusive recipient of GTEC cannabis products in the Israeli market for a period of 12 months from the date that the first shipment of GTEC products arrives in Israel (the "**Exclusive Term**"). The Exclusive Term can be extended under the terms of the GTEC Agreement by an additional 6 months.

On March 12, 2021, the Company filed a preliminary short form base shelf prospectus (the " **Preliminary Shelf Prospectus**") with the securities commissions or similar securities regulatory authorities in each of the provinces and territories of Canada (the "**Securities Commissions**"), and on March 15, 2021, the Company filed a corresponding shelf registration statement on Form F-10, with the SEC under the Multijurisdictional Disclosure System (" **MJDS**") established between Canada and the United States.

On March 12, 2021, Adjupharm entered into a supply agreement with NGC (the " **NGC Supply Agreement**"). Under the terms of the NGC Supply Agreement, NGC will provide Adjupharm with three new strains of medical cannabis products, to be distributed under the IMC brand to German pharmacies pursuant to Adjupharm's distribution agreements with its German distribution partners. Shipments from NGC commenced in October 2021.

On March 18, 2021, the Company acquired all of the issued and outstanding Trichome Shares in exchange for Common Shares through a statutory plan of arrangement under the OBCA pursuant to a definitive agreement entered into on December 30, 2020 (the "**Trichome Transaction**"). Trichome is the sole shareholder of TJAC, a wholly-owned subsidiary of Trichome and a Canadian Licensed Producer of cannabis products in the adult-use recreational cannabis market. Pursuant to the terms of the Trichome Transaction, former holders of Trichome Shares and former holders of Trichome convertible instruments (the "**Trichome Securityholders**") received 0.24525 of a Common Share for each Trichome Share held and each in-the-money convertible instrument of Trichome. As a result of the Trichome Transaction, a total of 10,104,901 Common Shares were issued to the Trichome Securityholders, resulting in former Trichome Securityholders holding approximately 20.06% of the total number of issued and outstanding Common Shares immediately after closing. In addition, 100,916 Common Shares were issued to financial advisors for advisory fees in connection with the Trichome Transaction.

The Trichome Transaction constituted a "significant acquisition" for the Company under the significance tests set out in Part 8 of NI 51-102. As a result, the Company filed a business acquisition report in respect of the acquisition on April 28, 2021 which is available under the Company's profile on SEDAR at www.sedar.com.

On March 29, 2021, Adjupharm entered into a supply agreement with MediPharm Labs for certain medical cannabis extract products to be delivered by MediPharm Labs over an initial two-year term with an automatic two-year extension period (the "**MediPharm Supply Agreement**").

On March 31, 2021, in connection with the Preliminary Shelf Prospectus, the Company filed a final short form base shelf prospectus (the " **Final Shelf Prospectus**") with the Securities Commissions and a corresponding shelf registration statement on Form F-10 (the "**Registration Statement**") with the SEC. The Final Shelf Prospectus and the Registration Statement enable the Company to offer up to US$250,000,000 (or its equivalent in other currencies) of Common Shares, warrants, subscription receipts, debt securities, units (collectively, the "**Qualified Securities**"), or any combination of such Qualified Securities from time to time, during the 25-month period that the Final Shelf Prospectus is effective. The specific terms of any offering under the Final Shelf Prospectus and the intended use of the net proceeds will be established in a prospectus supplement, which will be filed with the Securities Commissions and the SEC in connection with any such offering.

In March 2021, Adjupharm entered into two supply agreements with supply partners in China, under which Adjupharm purchased COVID-19 rapid antigen test kits. Concurrently, Adjupharm entered into several resale agreements with reseller partners in Germany, under which Adjupharm shall sell the COVID-19 antigen test kits supplied from the China-based suppliers, to be distributed to pharmacies and retailers in Germany.

On April 30, 2021, IMC Holdings signed a definitive agreement with Panaxia, pursuant to which IMC Holdings would acquire Panaxia's home-delivery services online pharmacy business operating under the name *Panaxia to the Home* and customer service centre (the "**Panaxia-to-the-Home Operation**"), the Panaxia GDP License and an option to purchase a pharmacy with licenses to sell medical cannabis directly to qualifying medical cannabis patients (the "**Panaxia Pharmacy Option**"), for an aggregate purchase price of $7,200,000 comprised of $2,900,000 in cash and $4,300,000 in Common Shares (the " **Panaxia Consideration Shares**") to be issued in five instalments (the " **Panaxia Transaction**"). On March 14, 2022 the Company completed the acquisition of the Panaxia GDP License and concurrently exercised the Panaxia Pharmacy Option. For more information, please see " *General Development of the Business – Developments Following the Financial Year Ended December 31, 2021*".

On May 7, 2021, the Company completed the 2021 Offering of a total of 6,086,956 2021 Offered Shares at a price of US$5.75 per 2021 Offered Share for aggregate gross proceeds of approximately US$35,000,000. The Company also issued 3,043,478 2021 Offered Warrants for no additional consideration. In connection with the 2021 Offering, the Company entered into a best-efforts agency agreement (the "**2021 Agency Agreement**"), in which A.G.P./Alliance Global Partners and Roth Capital Partners agreed to act as co-lead agents for the 2021 Offering. Roth Canada, ULC acted as the sole agent in Canada pursuant to the 2021 Agency Agreement. Pursuant to the terms of the 2021 Offering, the agents held an over-allotment option to purchase up to an additional 913,044 2021 Offered Shares and 465,522 2021 Offered Warrants on the same terms and conditions for a period of 30 days following the closing date, which was not exercised. The Company issued an aggregate of 182,608 2021 Broker Compensation Options to certain agents in connection with the 2021 Offering.

On May 14, 2021, the Company's subsidiary, TJAC, entered into a revolving credit facility (the " **Revolver**") for $5,000 with a private Canadian creditor. The Revolver has an initial term of 12 months that can be extended upon the mutual agreement of both parties. Per annum interest is equal to the greater of (i) 9.75% and, (ii) the Toronto Dominion Bank prime rate, plus 7.30%. The Revolver has a standby fee of 2.40% per annum, which is charged against the unused portion. Advanced amounts are secured against the assets of TJAC and Trichome, with Trichome providing a guarantee for the Revolver. To maintain the Revolver, TJAC must abide by certain financial covenants, such as the maintenance of a tangible net worth greater than $5,000 and a debt service coverage ratio of 2:1. On September 23, 2021, TJAC increased the limit on the Revolver from $5,000 to $7,500 and added Highland's assets to the Revolver borrowing base. The increase will be used to finance TJAC and MYM's receivables in order to manage the timing of cash flows. On October 18, 2021, TJAC and MYM increased the limit on the Revolver to $10,000. The increase will be used to finance TJAC and MYM's receivables in order to manage the timing of cash flows.

On May 30, 2021, the Company completed the first closing of the Panaxia Transaction, pursuant to which the Panaxia to the Home Operation and all intellectual property were transferred to IMC Holdings.

On July 9, 2021, pursuant to a plan of arrangement under the OBCA and a definitive agreement dated April 1, 2021, the Company, through Trichome, completed the acquisition of MYM and acquired all of the issued and outstanding MYM common shares (the "**MYM Shares**") at an exchange ratio of 0.022 Common Shares for each MYM Share. MYM is a Canadian cultivator, processor, and distributor of premium cannabis via its two wholly owned subsidiaries, Highland Grow Inc. ("**Highland**"), with a facility in Antigonish, Nova Scotia (the "**Highland Facility**") and SublimeCulture Inc. (" **Sublime**"), with a facility in Laval, Quebec (the "**Sublime Facility**", and together with the Highland Facility, the "**MYM Facilities**"). In connection with the MYM Transaction, a total of 10,073,437 Common Shares have been issued to the former holders of MYM Shares, resulting in former MYM shareholders holding approximately 15% of the total number of Common Shares (based on 67,156,470 Common Shares issued and outstanding immediately after closing).

In July, 2021, IMCC completed its new, state of-the-art logistics centre in Germany (the " **Logistics Centre**") that will allow Adjupharm to internally manage all aspects of its supply chain including, the repackaging of bulk cannabis. IMCC expects that the Logistics Centre will strongly augment Adjupharm's capabilities as a focal point for the Company's European strategy. The Logistics Centre doubles Adjupharm's footprint to approximately 8,000 square feet, upgrades the production facilities with state-of-the-art technology and increases cannabis storage capacity to seven tonnes.

On July 28, 2021, IMC Holdings entered into a definitive agreement in respect of the acquisition of the Pharm Yarok Group (the " **Pharm Yarok Transaction** "). The aggregate consideration for the Pharm Yarok Transaction is NIS 11,900,000 (approximately $4,600,000), of which NIS 3,500,000 (approximately $1,300,000) shall be invested in the Company at closing by the shareholders of Pharm Yarok Group in exchange for Common Shares. The closing of the Pharm Yarok Transaction was conditional upon receipt of all requisite approvals, including all requisite approval from the IMCA. Pharm Yarok is a leading medical cannabis pharmacy and trade company located in central Israel; Rosen High Way is a trade and distribution centre providing medical cannabis storage, distribution services and logistics solutions for cannabis companies and pharmacies in Israel; and HW Shinua is an applicant for a medical cannabis transportation license from the IMCA, the receipt of which would permit HW Shinua to transport large quantities of medical cannabis to and from Pharm Yarok's pharmacy and Rosen High Way's distribution centre and to and from third parties in the medical cannabis sector, including medical cannabis growing facilities, pharmacies, manufacturers and distribution centres across Israel. The Pharm Yarok Transaction was completed in March 2022. For more information, please see "*General Development of the Business – Developments Following the Financial Year Ended December 31, 2021* ".

On August 3, 2021, IMC Holdings and cbdMD executed a binding letter of intent that will grant IMC Holdings an exclusive right to import, sell, distribute and market cbdMD products in Israel using the cbdMD brand name and trademark, subject to the legalization of hemp-derived CBD for non-medical purposes in Israel.

On August 16, 2021, IMC Holdings signed a definitive agreement to acquire 51% of the issued and outstanding ordinary shares of Vironna for total consideration of NIS 8,500,000 (approximately $3,330,000) comprised of NIS 5,000,000 (approximately $1,950,000) in cash and NIS 3,500,000 (approximately $1,350,000) in Common Shares to be issued on the closing date (the "**Vironna Transaction**"). Vironna is a leading pharmacy licensed to dispense and sell medical cannabis to licensed medical cannabis patients, located in central Israel and is one of the leading pharmacies in serving patients pertaining to the Arab population in Israel. The closing of the Vironna Transaction was conditional upon receipt of all requisite approvals, including from the IMCA. The Vironna Transaction was completed in March 2022.

On December 1, 2021, IMC Holdings signed a definitive agreement with Mr. Eitan Hevroni, Hevroni Entrepreneurship, Oranim Plus and Oranim Pharm, pursuant to which IMC Holdings will acquire 51.3% of the outstanding Oranim Plus common shares (the "**Oranim Transaction**"). Oranim Plus holds 99.5% of the rights in Oranim Pharm. The acquisition will result in IMC Holdings owning 51% of the rights in Oranim Pharm, which is one of the largest pharmacies selling medical cannabis in Israel and the largest pharmacy selling medical cannabis in the Jerusalem area. As consideration for the Oranim Transaction, IMC Holdings will pay an aggregate purchase price of approximately NIS 11,940,000 (approximately $4,900,000), consisting of approximately NIS 10,400,000 (approximately $4,300,000) in cash (the "**Oranim Cash Consideration**") and NIS 1,540,000 (approximately $630,000) payable in Common Shares (the "**Oranim Consideration Shares**"). The Oranim Cash Consideration will be paid in two instalments, with 50% paid at signing of the definitive agreement and the remaining 50% payable at the closing of the Oranim Transaction. The number of Oranim Consideration Shares issuable will be calculated based on the average closing price of the Common Shares on the NASDAQ over the 14 trading day period immediately preceding closing of the Oranim Transaction. The Oranim Transaction was completed in March 2022 upon receipt of all requisite approvals, including the required approval from the IMCA.

Developments Following the Financial Year Ended December 31, 2021

On January 13, 2022, the Company announced that Yael Harrosh, previously IMCC's General Counsel, Business Director and Corporate Secretary, had been promoted to global Chief Legal and Operations Officer, effective immediately. Rinat Efrima was appointed as the new Chief Executive Officer of IMC Holdings. Ms. Efrima joined IMC Holdings in the first quarter of 2022.

In January 2022, Focus imported approximately 399 kilograms of premium indoor-grown Canadian dried cannabis flowers from TJAC and an additional supply partner, marking an important milestone in the execution of the IM Cannabis' strategic objectives of vertical integration. The Group commenced the sale of imported cannabis flowers under its WAGNERS brand in the Israeli medical cannabis in Q1 2022.

In January 2022, Focus entered into a Revolving Credit Facility with Bank Mizrahi (the " **Focus Facility**"). The Focus Facility is guaranteed by Focus assets. Advances from the Focus Facility will be used for working capital needs. The Focus Facility has a total commitment of up to NIS 15,000,000 (approximately $6,000,000) and has a one-year term for ongoing needs and 6 month term for import and purchase needs. The Focus Facility is renewable upon mutual agreement by the parties on May 14, 2022 for up to two additional periods of 180 days. The borrowing base available for draw at any time throughout the Focus Facility and is subject to several covenants to be measured on a quarterly basis. The Focus Facility bears interest of Israeli prime interest plus 1.5% (approximately 3.3%) per annum

On February 1, 2022, the Company engaged international investor relations specialists MZ Group (" **MZ**") to lead the Company's strategic investor relations and financial communications program across all key markets. The investor relations agreement between the Company and MZ (the "**MZ Agreement**") commenced on February 1, 2022 for a term of three months until April 30, 2022, and will automatically renew for an indefinite period, subject to termination by either party upon 30 days prior written notice. Pursuant to the MZ Agreement, MZ will be paid a fee of US$14,000 per month, plus applicable taxes. Subject to the terms of the MZ Agreement and if the MZ Agreement remains in effect as of August 1, 2022, the Company will issue to MZ 35,000 Common Shares at a price per share to be determined on the market price of the Common Shares on the CSE on the trading day prior to August 1, 2022, subject to applicable discounts permitted under CSE policies.

On March 14, 2022, the Company completed three strategic acquisitions previously announced in 2021: the Vironna Transaction, the Pharm Yarok Transaction and the Panaxia Transaction.

The Vironna Transaction was completed for total consideration of NIS 8,500,000 (approximately $3,330,000), of which NIS 5,000,000 (approximately $1,950,000) was paid in cash and NIS 3,500,000 (approximately $1,350,000) was paid in Common Shares. For satisfaction of the cash consideration component, NIS 3,750,000 (approximately $1,460,000) was paid at signing of the definitive agreement and the remaining NIS 1,250,000 (approximately $490,000) will be paid post-closing of the Vironna Transaction (the "**Vironna Closing Date**"). In satisfaction of the share consideration component, the Company issued 485,362 Common Shares at a deemed issue price of US$2.209 per share (approximately $2.8092), calculated based on the average closing price of the Common Shares on the Nasdaq for the 14 trading day period immediately preceding Vironna Closing Date. The shares issued to Vironna are subject to a staggered three-month lockup commencing on the Vironna Closing Date.

IMC Holdings completed the acquisition of all the outstanding ordinary shares of Pharm Yarok, and Rosen High Way. The acquisition of the outstanding ordinary shares of High Way Shinua is pending receipt of the requisite approval from the IMCA. The aggregate cash consideration for the Pharm Yarok Transaction was NIS 11,900,000 (approximately $4,600,000), of which NIS 8,400,000 (approximately $3,300,000) was paid at signing of the definitive agreements and the remaining NIS 3,500,000 (approximately $1,300,000) paid at closing. In connection with closing of the Pharm Yarok Transaction, the Company completed a non-brokered private placement with former shareholders of Pharm Yarok and Rosen High Way. A total of 523,700 Common Shares were issued at a deemed price of $2.616 for aggregate proceeds of $1,369,999.20. The calculation of the deemed price was based on the average closing price of Common Shares on the CSE over the 8 trading day period immediately preceding March 14, 2022.

IMC Holdings acquired the Panaxia GDP License following receipt of the requisite IMCA approval, and assigned the Panaxia GDP License to IMC Pharma in accordance with the terms of the Panaxia Transaction. The aggregate consideration for the Panaxia Transaction was NIS 18,700,000 (approximately $7,200,000), of which NIS 7,600,000 (approximately $2,900,000) was paid in two cash instalments and NIS 11,100,000 (approximately $4,300,000) payable in Common Shares ("**Panaxia Consideration Shares**"). To satisfy the share consideration component of the Panaxia Transaction, the Company issued four installments of an aggregate of 934,755 Panaxia Consideration Shares between August 9, 2021 and March 15, 2022, with the deemed price of each instalment of Panaxia Consideration Shares determined based on the average closing price of the Common Shares on Nasdaq during the 10 trading day period immediately prior to issuance. The fifth and final installment of Panaxia Consideration Shares will be issued following the Panaxia GDP License Closing. The Panaxia Transaction includes a further option to acquire, for no additional consideration, a pharmacy from Panaxia, including requisite licenses to dispense and sell medical cannabis to patients, that the Company has exercised ("**Panaxia Pharmacy Closing**"). The Panaxia Pharmacy Closing is expected to occur in Q3 2022.

On March 28, 2022, the Oranim Transaction closed upon receipt of all requisite approvals, including the approval of the IMCA. The Oranim Transaction was completed for total consideration of NIS 11,940,000 (approximately $4,600,000), comprised of NIS 10,404,000 (approximately $4,000,000) and NIS 1,536,000 (approximately $600) in Common Shares issued on closing. In satisfaction of the cash consideration component, NIS 5,202,000 (approximately $2,000,000) paid at signing of the definitive agreement and NIS 5,202,000 will be payable in the first quarter of 2023. In satisfaction of the share consideration component, the Company issued 251,001 Common Shares at a deemed issue price of US$1.899 per share (approximately $2.37) per share, calculated based on the average closing price of the common shares of the Company on the Nasdaq Capital Market for the 14 trading day period immediately preceding March 28, 2022. The shares issued are subject to a staggered three-month lockup commencing on the date of issuance.



DESCRIPTION OF THE BUSINESS

Overview – Active Operation in Israel, Canada and Germany

IM Cannabis is a leading international cannabis company providing premium cannabis products to medical patients and adult-use recreational consumers. With operations in Israel, Canada, and Germany, the world's three largest federally legal cannabis markets, the Company has developed its own proprietary import/export supply chain in order to efficiently deliver premium cannabis to patients and consumers under a uniform global branding umbrella.

The Company operates in Canada through Trichome and its subsidiaries TJAC and MYM, where it cultivates, processes and sells premium and super-premium cannabis at its own facilities under the WAGNERS and Highland Grow brands for the adult-use market in Canada and exports premium and super-premium medical cannabis to Israel and eventually to Germany. In Israel, the Company cultivates, imports, and distributes cannabis to local medical patients through its commercial relationship with Focus, with plans to import cannabis to supplement its operations of medical cannabis retail pharmacies, online platforms, distribution centres and logistical hubs operating through IMC Holdings. In Germany, the IM Cannabis ecosystem operates through Adjupharm importing and distributing cannabis to pharmacies for patients, acting as the Company's entry point to a potential future Europe-wide distribution.

Israel

In Israel, the Group continues to expand IMC brand recognition and supply the growing Israeli medical cannabis market with its branded products. IMC Holdings developed the IMC brand of premium medical cannabis products, which has been cultivated over the last decade mainly by Focus, an Israeli licensed cultivator over which IMC Holdings exercises "de facto control" under IFRS 10, and its cultivation partners and then sold in the Israeli medical cannabis market. In addition to our locally grown medical cannabis by Focus and its cultivation partners, we are focused on importing premium indoor-grown dried cannabis from our Canadian Facilities as well as from world-leading cannabis suppliers. 'In addition to the benefits of the Group's long-term presence in Israel, we believe that with our globally integrated supply chain and coordinated team of compliance, regulatory and purchasing professionals, the Company is well-positioned to address the ongoing needs of medical cannabis patients in Israel.

In 2021, IMCC positioned itself to enter into the distribution and retail segments of the Israeli medical cannabis market by entering into agreements to acquire several leading pharmacies focused on medical cannabis in Israel, two licensed leading operating trading houses, along with a well-known nationwide home-delivery service, including call centre and online purchase activity, and customer service centre, which include:

- Vironna, a licensed pharmacy, which ranks among the top 10 single cannabis dispensing points in Israel and is one of the largest pharmacies in Israel serving the rapidly growing Arab consumer segment of the medical cannabis market;
- Pharm Yarok, a licensed leading medical cannabis pharmacy located in central Israel;
- Oranim Pharm, one of the largest pharmacies selling medical cannabis in Israel and the largest pharmacy selling medical cannabis in the Jerusalem area;
- Rosen High Way, a trade and distribution centre providing medical cannabis storage, distribution services and logistics solutions for cannabis companies and pharmacies in Israel; and
- The acquisition of Panaxia's GDP License together with its trading-house operation and the *Panaxia-to-the-Home Operation*.

The Company believes that the above acquisitions positions IM Cannabis as one of the largest distributors of medical cannabis in Israel. The Company if focused on building a vertically-integrated retail chain, providing IM Cannabis products directly to patients, accessing and leveraging market data as well as providing a deeper understanding of consumer preferences. These acquisitions allow the Company to increase purchasing power with third-party product suppliers, offers potential synergies with its established call centre and online operations, achieves higher margins on direct to patient sales and creates the opportunity for up-sales across a growing range of products.

Through the acquisition of the Panaxia-to-the-Home Operation, the Company also plan to stay ahead of consumer trends and provide patients with accessible at-home delivery. The Company's acquisition of the Rosen High Way, a trading house, and the Panaxia GDP License will expand its sales channels, distribution, delivery and storage capacity and strengthen the Groups' ability to reach its clients directly.

Following the acquisitions of the Israeli Pharmacies and trading houses, which closed in the first quarter of 2022, IMC Holdings has become, through its recently acquired subsidiaries, a licensed medical cannabis retailer in Israel, and is in the process vertically integrating its Israeli operations. The Company expects that these developments will increase revenue and margins from its Israeli medical cannabis market activities. For more information, see *"General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments During the Financial Year Ended December 31, 2021"* and "*"General Development of the Business – Developments Following the Financial Year Ended December 31, 2021".*

Canada

Following the successful completion of the Trichome Transaction and the MYM Transaction the Group's global cannabis platform has evolved to now include the adult-use recreational cannabis market in Canada, in addition to its established medical cannabis operations in Israel and Germany.

Trichome is a Canadian subsidiary of IMCC, and through Trichome's wholly-owned subsidiary, TJAC, operates as a Canadian Licensed Producer of cannabis products in the adult-use recreational cannabis market in Canada. TJAC operates two cultivation facilities in Ontario and sells products under the WAGNERS brand.

MYM, acquired by the Company through Trichome, is a Canadian cultivator, processor, and distributor of premium cannabis through its two wholly-owned subsidiaries: Highland and Sublime. MYM's flagship brand, Highland Grow, is an ultra-premium brand sold in most provinces and territories throughout Canada.

Germany

In Europe, the Company operates in Germany through Adjupharm, its German subsidiary and EU-GMP certified medical cannabis producer and distributor. The Company continues to lay its foundation in Germany, currently the largest medical cannabis market in the Europe.[5] Leveraging its global supply chain, IM Cannabis continues to focus on growing its business in Germany to be well-positioned through brand recognition in preparation for future regulatory reforms.

Similar to Israel, the Company's focus in Germany is on importing premium indoor-grown dried cannabis from the Canadian Facilities, which we believe will satisfy the rapid growth in demand for premium Canadian cannabis across a variety of strains and qualities.

While the Company does not currently distribute products in other European countries, the Company intends to leverage the foundation established by Adjupharm, its new state-of-the-art Logistics Centre and its network of distribution partners to expand into other jurisdictions across the continent. The Company expects that the Logistics Centre will allow the Company to execute all aspects of its supply chain, including the repackaging of bulk cannabis and distribution capabilities.

The Company's operating track record, accumulation of and ability to source data, supply and existing brand reputation in Israel and Canada offers the Company a competitive advantage in the German and European markets to build brand and industry recognition and support from physicians who prescribe medical cannabis products. Adjupharm's ability to produce and distribute cannabis through Adjupharm's certification as an EU-GMP producer and distributor in Germany with wholesale, narcotics handling, manufacturing, procurement, storage and distribution authority is granted by German regulatory authorities. The quantities permitted for import under the Adjupharm Licenses were updated in March 2022.

The Group does not currently have and is not in the process of developing marijuana-related activities in the U.S., even in U.S. states where such activity has been authorized within a state regulatory framework. As such, the Company is not and would not be considered in the future a "U.S. Marijuana Issuer" within the meaning set forth in CSA Staff Notice 51-352.

[5] The European Cannabis Report – Edition 6, p. 93 - https://prohibitionpartners.com/reports/

Principal Products and Brands

The IMC brand is well-known in the Israeli medical cannabis market. Leveraging its long-term success in the Israeli market, the Company launched the IMC brand in Germany in 2020.

Following the Company's entry into the Canadian adult-use recreational cannabis market, the Company is now leveraging its vertical integration and applying a multi-country strategy and using its global platform and exporting its Canadian WAGNERS and Highland Grow brands to the Israeli and German medical cannabis markets. The Company believes that the sale of WAGNERS and Highland Grow into the Israeli and German markets can satisfy the increasing demand of both Israeli and German patients for indoor grown Canadian cannabis.

Israeli Medical Cannabis Business

The Company currently sells the IMC and WAGNERS brands in the Israeli market.

IMC brand gained its reputation for quality and consistency in the Israeli medical cannabis market over the past 10 years. In August 2020, a survey of licensed medical cannabis patients showed that the IMC brand is one of the top four most popular medical cannabis brands in Israel.[6]

In association with Focus, the Group maintains a portfolio of strains sold under the IMC umbrella that includes popular medical cannabis dried flowers and full-spectrum cannabis extracts.

In 2021, IMC was rebranded with a refreshed logo, packaging, design language and tone, with a bold new design to better position itself in the competitive Israeli medical cannabis market, creating a variety of available products for medical cannabis patients. The IMC brand launched four different product lines as part of its rebranding:

The Signature Collection – The IMC brand's high-quality product line with greenhouse grown, high THC cannabis flowers. This collection of products currently includes well known cannabis dried flowers such as Roma, Tel Aviv and London as well as newer strains launched in 2021 such as Mango Mint.

The Reserve Collection – The IMC brand's premium product line with indoor-grown, high THC cannabis flowers. Launched in February 2022 with BC Pink Kush.

The Craft Collection – The IMC brand's ultra-premium product line with indoor-grown, hang-dried and hand-trimmed, high THC cannabis flowers. Including exotic and unique cannabis strains such as Peanut Butter MAC, Wedding Crasher and Alien Sin Mint Cookies.

The Full Spectrum Extracts – The IMC brand's full spectrum, strain specific cannabis extracts including High THC Roma oil, balanced Paris oil and Super CBD.

6 According to a survey carried out by Cannabis Magazine among 519 patients licensed by the MOH to consume medical cannabis (Aug 2020, Israel).



The WAGNERS brand launched in Israel during Q1 2022. For more information, please see " *New Product Offering*".

Canadian Adult-Use Recreational Cannabis Business

In Canada, the Company's product portfolio consists of dried flower, pre-rolls and pressed hash offerings under the premium WAGNERS brand and ultra-premium Highland Grow brand. The WAGNERS brand was launched by TJAC in mid-2021, while the Highland Grow brand was acquired through the acquisition of MYM in July 2021.

The WAGNERS brand offers high-quality cannabis on a consistent basis at an approachable price point for consumers. The Highland Grow brand offers cannabis consumers ultra-premium product, curated to their tastes. Both the WAGNERS and Highland Grow brands have proven to be very popular with consumers, each holding a top 3 position in Ontario across their respective price segments (year-to-date in 2022).[7]

WAGNERS and Highland Grow products are primarily sold in 3.5 gram flower and 3 x 0.5 gram flower pre-roll formats. Other flower formats are available in certain provinces, such as 7 or 14 gram units. Hash is typically sold in 1, 2 and 4 gram formats.

[7] Depletion and e-commerce sales data from Ontario Cannabis Store - Sale of Data report for period between January 1 – February 28, 2022 for dried flower product between $7.50 - $9.99/gram and above $12.99/gram.

Key WAGNERS flower and pre-roll strains include Cherry Jam, Pink Bubba, Blue Lime Pie, Purple Clementine, Dark Helmet and Silverback #4:



The Highland Grow brand portfolio includes six core flower strains: Gaelic Fire, White Lightning, Sensi Wizard, Cherry Burst, as well as two new strains added in Q4 2021, Gas Tank and Diamond Breath.



German Medical Cannabis Business

In Germany, the Company sells IMC-branded dried flower products. The medical cannabis products sold in the German market are branded generically as IMC so as to rely on the Company's brand recognition in establishing a foothold with German healthcare professionals. The Company's IMC-branded cannabis products were launched in Germany with one high THC flower strain in 2020. In Q4 2021, Adjupharm launched a flower strain second high THC strain and two full spectrum extracts.

In July 2021, Adjupharm was recognized by the German Brand Institute with the "German Brand Award 2021", recognizing its excellence in brand strategy and creation, communication and integrated marketing. The competitive advantage in Germany also lies in the Group's track record, experience and brand reputation in Israel and proprietary data supporting the possible effectiveness of medical cannabis for the treatment of a variety of conditions.



New Products

Between our various geographies, the strategy for new products varies given that each market is at a different stage of development with respect to regulatory regimes, patient and customer preferences and adoption rates.

Israel

In conjunction with Focus and its cultivation partners cultivating Israeli-grown cannabis, the Company is also importing premium cannabis from the Canadian Facilities and from third-party supply partners. Canadian indoor-grown cannabis commands a premium to the Israeli consumer. The Company launched the BC Pink Kush cannabis flowers to its Reserve Collection during Q1 2022, and is planning to launch another cannabis flower, Berlin, to its Signature Collection in the beginning of Q2 2022.



The WAGNERS brand launched in Israel during Q1 2022, with premium indoor-grown cannabis from the Canadian Facilities. The WAGNERS brand in Israel offers premium, imported, indoor-grown flower at a competitive price point for the first time in the Israeli market, due to the Group's vertically integrated global supply chain reducing costs across the chain.

The WAGNERS brand currently offers its Cherry Jam and Dark Helmet products in Israel with additional products expected to launch later in 2022.



We also plan to launch the Highland Grow brand in Israel later in 2022.

Canada

The Company has amassed a portfolio of more than 150 cannabis strains through the MYM Transaction, and we are regularly evaluating and bringing new strains to market. In Q4 2021, we launched Pink Bubba and Blue Lime Pie under the WAGNERS brand. The market reception of Pink Bubba has been strong, rivaling sales of our flagship Canadian strain, Cherry Jam. We also plan to launch four new strains in Q2 2022; Tiki Rain, Rainforest Crunch, Golden Ghost OG and Turpy Slurpy:



We have introduced pre-rolls under the Highland Grow brand for cannabis connoisseurs who also value convenience. In addition, we have launched new strains Diamond Breath and Gas Tank under Highland Grow brand.

In Q1 2022, we commenced distribution of a new brand, Dymond Concentrates, which will offer high-quality concentrates such as THCA diamonds, caviar, live resin, badder and shatter:



Germany

IM Cannabis started 2022 with the launch of a high CBD flower strain and is also currently in the process of launching its popular Canadian WAGNERS brand in the German medical cannabis market, importing cannabis flower from the Canadian Facilities. The expansion of our portfolio shows our commitment to providing German physicians and patients with the best available strains in the global cannabis market, giving them the opportunity to tailor their treatments to their patients' individual needs.

Revenue

The following table shows the sales figures in thousands of dollars for each category of products that accounted for 15% or more of the total consolidated revenue of the Company for the financial years ended December 31, 2021 and 2020, derived from (a) sales to entities in which the Company maintains an investment accounted for by the equity method; (b) sales to customers, other than those referred to in (a); and (c) sales or transfers to controlling shareholders.

REVENUE BY PRODUCT TYPE

FINANCIAL YEAR	MEDICAL CANNABIS PRODUCTS	ADULT-USE RECREATIONAL CANNABIS PRODUCTS	OTHER PRODUCTS	TOTAL
2021	$ 26,449	$ 19,609	$ 8,242	$ 54,300
2020	$ 14,863	-	$ 1,027	$ 15,890

Production, Distribution and Sales in Principal Markets

Israel

Over the last decade Focus was the main cultivator of cannabis products sold under the IMC brand in the Israeli market. To supplement the growing demand, Focus entered into supply agreements with third-party cultivators in Israel. Since 2021, the Company focused on securing additional supply from its supply partners from outside of Israel, leveraging its improved purchase capabilities and global presence, as well as facilitating the import of indoor-grown premium and super-premium cannabis products. Importing from the Canadian Facilities aligns with the Company's strategy in acquiring Trichome and MYM to serve as a long term, reliable source of supply to the Israeli and German medical cannabis markets.

Following cultivation or import of medical cannabis, in accordance with Israeli regulations, the medical cannabis products are packed by contracted licensed producers of medical cannabis. The packaged medical cannabis products are then sold by the Group under the Company's brands to local pharmacies in Israel through contracted distributors.

Focus is licensed by the IMCA to cultivate medical cannabis in the State of Israel. The Focus cultivation license is valid until July 3, 2022 (the " **Focus License**"). Focus was one of the initial eight medical cannabis producers licensed by Israeli regulatory authorities and has over 10 years of experience growing high-quality medical cannabis products for the Israeli medical cannabis market, under the guidance and knowledge provided to it by the Company and its master grower in Israel. The propagation license held by Focus expired on January 3, 2022, however the Group continue to maintain its proprietary genetics, and any propagation services, if required, will be provided by contracted third parties. The Focus Facility has approximately 300,000 square feet of cultivation capacity and a current annual output of up to 5,000kg of medical cannabis, which is supplemented by additional supply from contracted third-party Israeli medical cannabis cultivators.

In the second quarter of 2021, the Company, through Focus, imported medical cannabis flowers from a Canadian supply partner, and sold the imported medical cannabis products in the Israeli market under the IMC brand. In January 2022, the Company completed the import of premium indoor-grown Canadian dried cannabis grown in TJAC's own cultivation facility in Canada. The Company expects to import additional premium dried cannabis flowers from its Canadian Facilities and its supply partners in Canada and elsewhere on a consistent basis going forward.

In 2021, the Company expanded into the retail and distribution segments of the Israeli medical cannabis market by entering into each of the Panaxia Transaction, the Pharm Yarok Transaction, the Vironna Transaction and the Oranim Transaction.

All of the Israeli Pharmacies are licensed by the IMCA to sell finished medical cannabis products to licensed medical cannabis patients in Israel. The Israeli Pharmacies provide a variety of medical cannabis products. The Israeli Pharmacies source their medical cannabis product supply directly from licensed medical cannabis companies or through licensed distributors and suppliers.

The Company's acquisition of the Rosen High Way and the Panaxia GDP License expand its sales channels, distribution, delivery and storage capacity and strengthen the Groups' ability to reach medical cannabis patients directly and efficiently.

Canada

Following the Trichome Transaction, the Company has been engaged in the cultivation and sale of cannabis products in the adult-use recreational cannabis market in Canada through TJAC. TJAC holds the Standard Processing, Standard Cultivation and Sale for Medical Purposes licenses (collectively the "**TJAC Licenses**") issued by Health Canada, which permit it to cultivate, produce, extract and sell cannabis products in Canada.

TJAC operates an approximately 32,050 square metre indoor cultivation facility (the " **Indoor Facility**"), with approximately 4,340 square metres of space for the cultivation of cannabis. All of TJAC's cultivation occurs at this site, as well as certain processing activities, such as plant drying, bucking and trimming. Current cultivation capacity at the Indoor Facility is approximately 7,000kg per year, with the potential for approximately twice the amount of production in the next 12-24 months, subject to capital investment and procedural optimization. In addition, TJAC operates another facility of an approximately 1,400 square metres, which is the site where certain processing and all packaging, sales and shipping activities of the business occur (collectively with the Indoor Facility, the "**TJAC Facilities**"). The TJAC Facilities are located in Kitchener, Ontario and are operated pursuant to certain lease agreements (the " **TJAC Leases**"). The TJAC Licenses for the TJAC Facilities are valid until August 28, 2023.

Trichome was initially formed in 2017 as a specialty finance company focused on providing capital solutions to the global legal cannabis market. In August 2020, Trichome began winding down its loan portfolio to focus on operating TJAC as its sole line of business.

On July 9, 2021, following the acquisition of MYM, the Company furthered its presence in the Canadian adult-use recreational market with the addition of the ultra-premium Highland Grow brand.

MYM operates two licensed facilities: the Highland Facility, which operates as a cultivation and processing facility that is home to the Highland Grow brand, holding of a Standard Cultivation Licence issued under the *Cannabis Act* and *Cannabis Regulations*; and the Sublime Facility, which operates as an indoor growing facility, holding a Standard Cultivation Licence. The Highland Facility is currently built to approximately 530 square metres of cultivation and storage space. The Sublime Facility is currently built to 930 square metres and has the potential to be expanded upon proper licencing. The Sublime Facility is intended as a cutting edge, highly optimized facility to be used for genetics research and pheno-hunting, storage of dried cannabis, and the production of clones and seeds for sale. It includes a mothering and cloning area, allowing for exceptional genetic development and archiving. The Sublime Facility operates pursuant to a certain lease agreement (the "**Sublime Lease**"). The license for the Highland Facility is valid until November 27, 2023 and the license for the Sublime Facility is valid until January 31, 2023.

TJAC and Highland Grow are currently authorized to sell into the provinces of Ontario, Alberta, British Columbia, Manitoba, Saskatchewan, New Brunswick, Newfoundland and Labrador, Prince Edward Island, the Yukon, the Northwest Territories, and Nunavut. Highland Grow is also authorized to sell into Nova Scotia. In each of the provinces, other than Saskatchewan and Manitoba, TJAC and Highland Grow sell their cannabis products to provincially owned wholesalers, who in turn sell and distribute directly to privately owned retailers or direct to consumers online. In Saskatchewan and Manitoba, TJAC and Highland Grow sell their products to a third-party, intermediary wholesaler who then sells and distributes TJAC's and Highland Grow's products to the province's retail stores. In addition, TJAC expects to enter the Quebec market pending regulatory approval in the province.

In order to supplement their own cultivation, TJAC and Highland Grow regularly enter into one-time, business-to-business purchase and sale agreements with other Licensed Producers, on an as-needed basis, in order to back-fill its own purchase orders from the provinces.

Europe

The Company replicated its Israeli business strategy and established its medical cannabis brand in the German market through Adjupharm, a certified EU-GMP producer and distributor in Germany with wholesale, narcotics handling, manufacturing, procurement, storage and distribution licenses granted by German regulatory authorities that allow for import/export capability with requisite permits (the "**Adjupharm Licenses**"). Adjupharm serves as the Company's flagship European outpost for sales and distribution.

While the Company does not currently distribute products in any other European countries outside of Germany, the Company intends to leverage the platform established by Adjupharm in Germany and its network of distribution partners to expand to other jurisdictions across the continent in which medical cannabis is legal.

Germany

The Company's European strategy is centred in Germany, whose medical cannabis market is currently considered the largest in Europe. [8] Adjupharm serves as the Company's principal operating hub in the German market.

The Company continues to develop Adjupharm as its European hub and to expand its presence in the German market by forging partnerships with pharmacies and distributors across the country. The Company's objective is to capture a significant market share in Germany by working directly with distributors to increase market reach for products bearing the Company's brands.

Adjupharm currently manufactures and distributes IMC-branded medical cannabis products to pharmacies and distribution partners in Germany pursuant to sales and distribution agreements. Adjupharm sources its medical cannabis products from strategic partners, including various Canadian and pan-European EU-GMP suppliers. In addition, the Company plans to export medical cannabis products to Germany from its Canadian cultivation facilities in 2022, subject to regulatory approvals, to be sold and distributed by Adjupharm under the Company's brands in the German medical cannabis market.

The Company currently has approximately 8,000 square feet of warehouse space and EU-GMP production capacity in Germany, following the completion of an expansion process at the state-of-the-art Logistics Centre, upgrading its production technology and increasing its storage capacity to seven tonnes of cannabis. The Company expects that the Logistics Centre will allow the Company to execute all aspects of its supply chain including the repackaging of bulk cannabis and distribution capabilities.

Adjupharm relies on its sales and distribution agreements to supply and distribute IMC-branded products to distribution partners in Germany, which are then distributed to German pharmacies. There are approximately 19,000 community pharmacies in Germany, each of which is permitted to create and dispense medications, including medical cannabis, pursuant to physician prescriptions.[9] In 2021, Adjupharm expanded its internal and external sales department and focused on increasing physician awareness and engagement to drive sales of IMC-branded medical cannabis products. The competitive advantage in Germany lies in the Group's track record and brand reputation in Israel and proprietary data supporting the effectiveness of medical cannabis for the treatment of a variety of conditions.

[8] Health Europa, June 23, 2020. https://www.healtheuropa.eu/exploring-growth-in-the-european-medical-cannabis-market/100849/
[9] Federal Union of German Associations of Pharmacists: Figures Data Facts 2021

Specialized Skill and Knowledge

The Group relies on the expertise of its personnel to provide value to its clients. The Group has over 10 years of experience in cultivating, propagating and processing cannabis under the guidance of experienced master grower, Doron Reznik. Following the IMC Restructuring, IMC Holdings retained its master grower to continue providing cannabis cultivation and production advice exclusively to Focus and Focus' third-party cultivation partners. In Canada, Trichome and its subsidiaries employ teams of highly specialized individuals with significant backgrounds and experience in cultivation, plant health, operations planning, and processing at their Canadian Facilities.

Competitive Conditions

The medical and recreational cannabis industries in which the Group operates is, and is expected to remain, very competitive. Cannabis companies compete primarily on a regional basis, and competition may vary significantly from region to region at any particular time. The cannabis sector is in a high growth phase, with market participants engaged in significant expansion across global legal jurisdictions. The Company is working to achieve a leadership position in the cannabis industry by taking advantage of IMC brand recognition, earning superior margins as a fully integrated business, and leveraging its vast know-how and experience.

The Group faces competition in Israel from similar established medical cannabis brands and manufacturers in the domestic market. The Company expects that its experience and track record, attained via the combination of Focus' operations over the past decade and IMC brand recognition, will distinguish its offerings from competitors in the Israeli market. In addition, the Company believes that with its integrated supply chain and indoor cultivation in Canada permitting the export of premium and super-premium cannabis products to Israel, following the successful acquisition of the Canadian Facilities, it is uniquely positioned to address the needs of medical cannabis patients and customers.

The Company's European operations will face competition from other entities licensed to cultivate, produce and distribute medical cannabis products in each respective jurisdiction. In Germany, Adjupharm will compete with a number of licensed manufacturers and distributors including currently established entities, expected new market entrants, and domestic producers of cannabis. Competitors vary from well-capitalized businesses with substantial operations and revenues to smaller or newer market entrants.

The Canadian adult-use cannabis market is highly competitive, with over 800 active Licensed Producers in the country selling cannabis products across multiple segments and various quality and price points. The Company believes that it is attractively positioned with WAGNERS and the Highland Grow brand, as evidenced by its market share growth, given product quality, which exceeds competitors at similar price points. As additional producers become licensed to sell product in the Canadian market, the Company believes that TJAC's premium cultivation assets put the Company in a strong competitive position to continue to supply the premium and ultra-premium markets in Canada in a profitable manner, at current price points, or in the event the Canadian market saw price compression in the premium markets.

Components

The Group's ability to operate the business is dependent on its ability to source raw materials, skilled labour, and equipment from its supply partners around the world. In particular, required production inputs include but are not limited to biological assets, utilities, product packaging, and specialized equipment for propagating and cultivating cannabis. Although the Group does not foresee an issue with the availability of these inputs as needed, the Group is wary of any increases in pricing for such inputs. If prices of inputs were to significantly increase, this may cause a material adverse effect on the Group's business operations and financial condition. See "*Risk Factors – Reliance on Key Business Inputs*" below for additional details.

Intangible Properties

The Company relies on the licensing of its brand in Israel to widen its reach and offer branding, marketing and other related services to participants in the Israeli medical cannabis industry. The Group also plans to rely on the IMC brand to facilitate the distribution of cannabis products in international markets. The Group owns trademarks and trade secrets that allow it to serve a range of cannabis industry participants.

"IMC" is a registered trade name and trademark valid in Israel through May 2027, in Germany and in Portugal through the World Intellectual Property Organization through November 2027. In Canada, the Company applied for registration of the IMC name for use in connection with various food supplements, vitamins, minerals and proteins and is awaiting a response to its submissions. As of the date of this AIF, the pending trademark application has been examined by Canada Patent and Trademark Office. The opposition period ended on 19 March 2022 and the Company is waiting for registration.

In February 2022, the Company successfully completed the registration of its well-known medical cannabis brand strain "ROMA" as a trade name in Israel and is valid through July 2031. In addition, the Company commenced trademark applications for its new branding and the name "I AM Cannabis" in Israel.

TJAC has also commenced a trademark application for the name "WAGNERS" in Canada.

Cycles

The demand for both medical cannabis products and recreational cannabis products is not materially influenced by seasonal or cyclical trends, and subject to the continued increase in demand in the medical cannabis market [10] in Israel is consistent year-round. In Canada[11], some seasonality is noticeable in terms of sales volumes, whereby Q4 is typically the highest selling quarter in terms of volume due to the holiday season. Q1 is typically the lowest selling quarter in terms of volume as a result of increased stocking by the provinces in Q4 to meet the increased demand during the holiday season. Overall, the impact is relatively marginal. In addition, the Company's cultivation strategy, as well as its globally integrated supply chain and its ability to secure additional supply from its cultivation and supply partners, allow it to provide consistent supply of cannabis products to its customers in all jurisdictions all year-round.

Economic Dependence

In Israel, the Company is substantially dependent on several categories of commercial agreements to ensure the continuity of its operations and maintain its revenues, including:

- The Commercial Agreements, whereby IMC Holdings derives economic benefit from Focus and whereby Focus (i) uses the IMC brand on an exclusive basis for the sale of cannabis products; and (ii) engages IMC Holdings to provide certain management and consulting services. As a result of the Company's commercial relationship with Focus, it is dependent on Focus maintaining the Focus License, the Focus Lease Agreement and the Focus Facility in good standing, as well as any ancillary licenses required to carry on its operations in the Israeli medical cannabis industry.

  On January 1, 2021, the Company amended the terms of each of the Commercial Agreements to align the consideration with implementation of the Company's transfer pricing framework. The amendments to these agreements constituted a "related party transaction" as such term is defined in Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). The Company was exempt from the formal valuation requirement under Section 5.5(a) and the minority approval requirement under Section 5.7(1)(a) of MI 61-101, respectively, as the fair market value of the amendments, as determined by the Board, did not exceed 25% of the Company's market capitalization on the date of such amendment.

- Supply agreements with third party cannabis cultivators and suppliers to meet the Israeli market's demand for the Company's products.

- Purchase orders received from time to time for the sale of the Company's products to pharmacies or distributors, either in association with Focus or through the Company's direct trading house operations.

- Ongoing retail purchases of the Company's products sold at the Israeli Pharmacies by Israeli medical cannabis patients.

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[10] IMCA - Up-to-date data from patient licenses (December 2021). P. 2 [Hebrew] https://www.health.gov.il/Subjects/cannabis/Documents/licenses-status-december-2021.pdf

[11] https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=2010000801&pickMembers%5B0%5D=2.30&pickMembers%5B1%5D=3.1&cubeTimeFrame.startMonth=01&cubeTimeFrame.startYear=2020&cubeTimeFrame.endMonth=02&cubeTimeFrame.endYear=2021&referencePeriods=20

For additional information on potential risks arising from the Company's economic dependence on Focus, its commercial and supply agreements with third parties and its pharmacy operations, see " *Risk Factors*" below.

In Germany, Adjupharm is substantially dependent on the supply, sales and distribution agreements with suppliers and German distributors, as listed and described under " *General Development of the Business – Developments Following the Reverse Takeover Transaction*". Any failure to maintain the Adjupharm License in good standing could have a material adverse effect on the Group. For additional information on potential risks arising from the Company's dependence on Adjupharm's operations, see "*Risk Factors*" below.

In Canada, TJAC and Highland Grow rely on and are substantially dependent on supply agreements for the sale of its products with certain provinces in Canada, with particular concentration in Ontario, Alberta, and Manitoba, in order to maintain revenues. A loss of one or a number of such supply agreements could materially impact TJAC's and/or Highland Grow's profit margins for the foreseeable future by requiring TJAC and/or Highland Grow to sell at lower margins through alternative sales channels, unless more suitable sales arrangements could be secured. Furthermore, in light of this dependence, any failure to maintain the TJAC Licenses or the TJAC Leases or the MYM Licenses or the Sublime Lease in good standing could have a material adverse effect on the Group. For additional information on potential risks arising from the Company's dependence on its Canadian operations, see "*Risk Factors*" below.

Changes to Contracts

There were no changes to contracts that materially affected the Company's financial year ended December 31, 2021. As of the date of this Annual Information Form, the Company does not anticipate being materially affected by the renegotiation or termination of any material contracts or sub-contracts in the current financial year.

Environmental Protection

The Group's operations are subject to local 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 nonhazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's 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 the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company places great importance on being a constructive and responsible contributor to the environment and incurs ongoing costs and obligations to ensure compliance with all applicable environmental and employee health and safety matters.

Employees

As of December 31, 2021, the Company and its subsidiaries employed approximately 283 employees and Focus employed approximately 56 employees.

As of the date of this Annual Information Form, the Company and its subsidiaries employ approximately 336 employees and Focus employs approximately 50 employees.

Regulatory Framework

To operate its business, the Company must abide by applicable medical cannabis laws in those countries in which it operates, namely Israel, Germany and Canada. Each jurisdiction has unique laws and regulations on the propagation, cultivation, production, distribution, use, import and export of medical cannabis products and the current regulatory frameworks continue to evolve. The Company cooperates with the regulatory authorities in those jurisdictions in which it operates to ensure that it is at all times in full compliance with applicable laws, rules and regulations.

Israel

In Israel, cannabis is currently defined as a "dangerous drug" according to the Dangerous Drugs Ordinance [12] and the 1961 Single Convention on Narcotic Drugs (" **Narcotics Convention**"), to which Israel is a signatory. However, both the DDO and the Narcotics Convention allow for the use of cannabis for medical or research purposes under a supervised and controlled regime. The competent regulatory authority in Israel in all matters concerning the oversight, control and regulation of cannabis for medical production, consumption, and research in Israel is the IMCA, established by Government Res. No. 3069.[13] The production, distribution and consumption of adult-use recreational cannabis products is currently illegal in Israel.

Patient Medical Consumption

The use of cannabis is allowed for patients and for medical purposes, in respect of certain medical conditions, under a special approval of the MOH. Procedure 106 [14] of the IMCA sets out a list of medical conditions that are allowed to be treated with medical cannabis products. Such authorized medical conditions are examined and updated from time to time, and include, among others, cancer, pain, nausea, seizures, muscle spasms, epilepsy, Tourette syndrome, multiple sclerosis (MS), amyotrophic lateral sclerosis (ALS), and post-traumatic stress disorder (PTSD).

Licensing and Authorization for Commercial Activities in the Medical Cannabis Field

In December 2017, the IMCA issued regulations that standardized the licensing process for any cannabis related activity (the " **Road Map**").[15] Pursuant to the Road Map, each operation in the medical cannabis field, including the propagation, cultivation, products manufacturing, storage and distribution to licensed pharmacies, and distribution from licensed pharmacies to licensed patients, requires compliance with the provisions of applicable laws, including the procurement of an appropriate license under the DDO from the IMCA and the maintenance of such license in good standing. Cannabis licenses may not be transferred, exchanged or assigned without the prior approval of the IMCA. The licenses are valid for a period of up to 3 years and can be renewed with the approval of the IMCA only.

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[12] Cannabis is listed in schedule 1 of the Dangerous Drugs Ordinance [New Version], 1973 [Hebrew]
https://www.health.gov.il/LegislationLibrary/Samim_01_EN.pdf
[13] Israeli Government Res. No. 3609 [Hebrew], August 7th, 2011 https://www.gov.il/he/Departments/policies/2011_des3609
[14] Ministry of Health Pharmaceutical Division Policy Number 106 – Licenses for Use of Cannabis
https://www.health.gov.il/hozer/CN_106_2019.pdf (in Hebrew)
[15] Directive 107 - Guidelines for the process of licensing the practice of cannabis for medical use, as amended on October 2020 [Hebrew] - https://www.health.gov.il/hozer/CN_107_2019.pdf

The MOH has issued a set of directives containing procedures and requirements for applicants for cannabis related activity licenses and has authorized certain entities to issue official certificates upon compliance with such directives. These directives include (i) Directive 150 (GSP Standard certification); (ii) Directive 151 (GAP Standard certification); (iii) Directive 152 (GMP Standard certification); and (iv) Directive 153 (GDP Standard certification).

Regular and periodic examinations are conducted for licensed entities, in order to ensure compliance with the analytical standards and the level of quality required during each of the phases of production and distribution of medical cannabis.

Medical Cannabis Imports and Exports

The Narcotics Convention governs the import and export of cannabis between member countries. Since Israel is a member country, any export and import of cannabis is subject to the Narcotic Convention.

In October 2020, the IMCA issued an updated procedure, titled "Guidelines for Approval of Applications for Importation of Dangerous Drug of Cannabis Type for Medical Use and for Research" ("**Procedure 109**"), describing the application requirements for cannabis import licenses for medical and research purposes. Therefore, each import of medical cannabis is to be approved by the IMCA issuing a specific import permit for each imported shipment, rather than a general license for import. An application for import of medical cannabis can be submitted by an entity licensed by the IMCA for the conduct of medical cannabis related activity.

The Israeli government approved the export of pharmaceutical-grade cannabis and cannabis-based products on January 27, 2019, [16] and in December 2020, the IMCA published guidelines for the medical cannabis export permit application process.[17]

Legalization of Adult-Use Recreational Cannabis and CBD for Non-Medical Purposes in Israel

As of the date of this Annual Information Form, adult-use recreational cannabis use in Israel and CBD for non-medical use is illegal. In November 2020, an Israeli government committee responsible for advancing the cannabis market reform published a report supporting and recommending the legalization of adult-use recreational cannabis in Israel. The Israeli parliament dissolved since then without applying the committee's recommendations and all legislative initiatives were suspended. However, the new government, formed on June 13, 2021, declared, and settled in the coalition agreement, its commitment to legalization of adult-use recreational cannabis. Since the formation of the new government, several legislative initiatives were filed, including for the decriminalization of the possession of cannabis for individual recreational adult-use and the legalization of CBD for non-medical use. These initiatives were not accepted; however they are viewed as first steps towards more comprehensive legislation towards the legalization of adult-use recreational cannabis. Members of the Israeli government continue to affirm their commitment to the legalization of adult-use recreational cannabis.

16 Directive 4490 [Hebrew] - https://www.gov.il/he/departments/policies/dec4490_2019
17 Directive 110, December 2020 [Hebrew] - https://www.health.gov.il/hozer/CN_110.pdf

Previous Regime and Price Control

Until September 2019, under the previous regime, patients licensed for consumption of medical cannabis products by the IMCA received all of their medical cannabis products authorized under their respective licenses at a fixed monthly price of NIS 370, regardless of each patient's authorized amount.

Since September 2019, under the new regime, licenses to patients were no longer entitling them for such fixed monthly price. However, some medical cannabis patient licenses granted under the previous regime remain valid, entitling their holders to receive medical cannabis products pursuant to the price controls and supplier restrictions of the former regime. All licenses under the previous regime expired in Q1 2022. For more information, please see *"Legal Proceedings and Regulatory Actions – Legal Proceedings – Supreme Court of Justice 2335/19"*.

Germany

On March 10, 2017, the German federal government enacted bill Bundestag-Drucksache 18/8965 – *Law amending narcotics and other regulations* that amended existing narcotics legislation to recognize cannabis as a form of medicine and allow for the importation and domestic cultivation of medical cannabis products. Under the updated legislation, cannabis is listed in Annex 3 to the *Federal Narcotics Act* ("**BtMG**") as a "marketable narcotic suitable for prescription". Legalization in Germany applies only to cannabis for medicinal purposes under state control in accordance with the Narcotic Convention. Currently, the production, distribution, exportation and importation of medical cannabis products in Germany is legal, subject to regulations and licensing requirements, while operations involving adult-use recreational cannabis products remain illegal. Nevertheless, current German government has declared in the coalition agreement its intention to open up the German market also in the recreational market. So far, however, there have been no visible further developments in this regard. Medical cannabis in Germany must comply with the corresponding monographs of the German and European pharmacopoeia. All BtMG permit applications must specify the strains and estimated quantities of medical cannabis involved and any subsequent changes must be reported to the Federal Opium Agency of Germany.

Unlike cannabis, CBD is not subject to German narcotics laws and may or may not be subject to German drug laws, depending on its use and dosage. Annex 1 of the Ordinance on the Prescription of Medicinal Products stipulates that CBD is in principle subject to prescription but does not specify a minimum quantity or a specific dosage form. However, a distinction must be made between consumable products that naturally contain CBD and those that are infused with CBD extract; the European Commission considers the latter to be a type of "food". In light of the above, various products containing CBD can be found in the German market.

Cultivation in Germany and Distribution of Medical Cannabis Cultivated in Germany

The Federal Opium Agency of Germany's Federal Institute for Drugs and Medical Devices (" **BfArM**") formed a cannabis division (the "**Cannabis Agency**") to oversee cultivation, harvesting, processing, quality control, storage, packaging and distribution to wholesalers, pharmacists and manufacturers. The Cannabis Agency also regulates pricing of German-produced medical cannabis products and serves as an intermediary of medical cannabis product sales between manufacturers, wholesalers and pharmacies on a non-profit basis.[18] In late 2018, the Cannabis Agency issued a call for tenders to award licenses for local medical cannabis cultivation and distribution of German-cultivated medical cannabis products (the "**German Local Tender**"). The Cannabis Agency would serve as an intermediary in the supply chain between such cultivation and distribution. In April 2019, three licenses for local cultivation were granted. In consequence three companies in Germany cultivate on behalf of the Cannabis Agency of the BfArM. Each license permitted the holder to grow up to 200kg per year for total production of 2,600kg per year collectively from the 13 cultivation lots and 10,400kg over the four-year license period. In July 2021, the BfArM launched the state sale of cannabis grown in Germany. Since then, pharmacies have been able to purchase medical cannabis in pharmaceutical drug quality for the supply of patients from the BfArM via the portal www.cannabisagentur.de. The sale from the BfArM to pharmacies is at a price of 4.30 euros per gram.[19]

[18] www.bfarm.de/DE/Bundesopiumstelle/Cannabis/Cannabisagentur/_node.html
[19] www.bfarm.de/DE/Bundesopiumstelle/Cannabis/Cannabisagentur/_node.html

The Cannabis Agency has no influence on the actual retail price of medical cannabis products, and is not responsible for the import of medical cannabis products and will therefore neither purchase nor distribute imported medical cannabis products. As a wholesaler, the Cannabis Agency sells German-based medical cannabis products in its own name.

Import Volumes and Procedures

The current regime permits the importation of cannabis plants and plant parts for medicinal purposes under state control subject to the requirements under the Narcotic Convention, according to which, Germany must estimate the expected demand of medical cannabis products for medical and research purposes for the following year and report such estimates to the International Narcotics Control Board.

As a prerequisite to obtaining a German import license, the supplier must grow and harvest in compliance with EU-GACP Standard Guidelines and manufacture in compliance with EU-GMP Standard Guidelines [20] and certifications.[21] All medical cannabis products imported to Germany must derive from plant material cultivated in a country whose regulations comply with the Narcotic Convention, and must comply with the relevant monographs described in the German and European pharmacopeias. While these requirements also apply to the exportation of medical cannabis products, the current German regime does not allow domestically cultivated medical cannabis products to be directly sold to commercial entities other than the Cannabis Agency.

Dispensing Exclusively via Pharmacies

Medical cannabis products imported pursuant to an import license under the BtMG and AMG/BtMG permits are sold exclusively to pharmacies for final dispensing to patients on a prescription basis as 'magistral preparations', a term used in Europe to refer to medical products prepared in a pharmacy in accordance to a medical prescription for an individual patient. Magistral preparations require certain manufacturing steps in the pharmacy. Such manufacturing steps of the pharmacist typically include the testing and dosing of pre-packaged cannabis inflorescences (typically referred to as "floss"), medical cannabis products for oral administration (dronabinol), medical cannabis products for inhalation upon evaporation, and medical cannabis-infused teas. In addition to magistral preparations, medical cannabis products are also marketable as pre-packaged, licensed drugs (e.g. Sativex®).

[20] The point at which GACP ends and GMP begins differs for flowers and extracts.
[21] The certificates may usually be a maximum of 2-3 years old and must come from a European authority, unless there are facilitations based on an MRA/ACAA.

Canada

The Cannabis Act and the Cannabis Regulations came into force on October 17, 2018, legalizing the sale of adult-use recreational cannabis. The Cannabis Act and Cannabis Regulations establish a licensing and permitting scheme for the production, importation, exportation, testing, packaging, labelling, sending, delivery, transportation, sale, possession and disposal of adult-use recreational cannabis.

On October 17, 2019, amending regulations titled the *Regulations Amending the Cannabis Regulations* came into force that, among other things, expanded the scope of the Cannabis Act and Cannabis Regulations to enable the sale of certain categories of cannabis, including cannabis extracts, topicals and edibles, and set THC content limits for certain categories of cannabis products.

Licensing

The Cannabis Regulations establish six classes of licenses under the Cannabis Act: (i) cultivation licences, including standard cultivation, micro-cultivation and nursery sub-classes; (ii) processing licences, including standard processing and micro-processing sub-classes; (iii) analytical testing licences; (iv) sales for medical purposes licences; (v) research licences; and (vi) cannabis drug licences. These licences are valid for a period of up to five years. Licence requirements and rules differ depending on the class and/or sub-class of the licence.

Security Clearances

Certain people associated with cannabis licensees must hold a valid security clearance issued by Canada's Minister of Health. For example, in the case of corporations that hold licences for cultivation, processing or sale, directors, officers and other individuals who exercise, or are in positions to exercise, direct control over the corporation are required to hold such a security clearance. Under the Cannabis Regulations, the Minister may refuse to grant security clearances to individuals with organized crime associations or past convictions for, or in association with, drug trafficking, corruption or violent offences. Individuals who have a history of nonviolent, lower-risk criminal activity (for example, simple possession of cannabis or small-scale cultivation of cannabis plants) are not precluded by legislation from participating in the legal cannabis industry, and the granting of security clearance to such individuals is at the discretion of the Minister.

Cannabis Tracking System

Under the Cannabis Act, the Minister is authorized to establish and maintain a national cannabis tracking system. Accordingly, Health Canada introduced the Cannabis Tracking and Licensing System, whereby licence holders are required to use this online system to submit monthly tracking reports, new license applications and licence renewal requests, among other things. The purpose of this system is to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the legal market. The Cannabis Act provides the Minister with the authority to make a ministerial order that would require licensees to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister.

Cannabis Products

The Cannabis Act and Cannabis Regulations, as amended, set out the requirements for the sale of dried cannabis, fresh cannabis, cannabis plants, cannabis seeds, cannabis edibles, cannabis extracts and cannabis topicals. Among other requirements, THC content limits are prescribed depending on the product category.

Packaging & Labelling

The Cannabis Regulations set out detailed requirements pertaining to the packaging and labelling of cannabis products that seek to promote informed consumer choice and allow for the safe handling and transportation of cannabis, while also reducing the appeal of cannabis to youth and promoting safe consumption. These requirements include plain packaging for cannabis products and packaging that is tamper-proof and child-resistant. The Cannabis Regulations further require package labels to include, among other information, the class of cannabis and the name, phone number and email of the licensed cultivator or processor, the standardized cannabis symbol and information pertaining to the THC and CBD content. Specific requirements vary depending on the product category of cannabis.

Promotion

The Cannabis Act prohibits the promotion of cannabis, cannabis accessories and cannabis-related services unless authorized by the Cannabis Act through certain exceptions prescribed in the Cannabis Act and the Cannabis Regulations.

Medical Cannabis

In addition to governance of recreational cannabis activities, the Cannabis Regulations also govern the regulatory framework associated with medical cannabis in Canada. Prior to the coming into force of the Cannabis Act and Cannabis Regulations, the sale of medical cannabis was permitted under the ACMPR. Although the ACMPR was replaced by the Cannabis Act and Cannabis Regulations, the new rules were not significantly different from the previous rules; changes were made to improve patient access, ensure consistency with recreational cannabis rules, and reduce the risk of abuse within the medical access system.

Provincial and Territorial Regulatory Framework

While the Cannabis Act provides for the regulation of adult-use cannabis production by the federal government, provincial and territorial governments maintain authority to regulate other aspects of adult-use recreational cannabis activities such as sale and distribution, minimum age requirements, and places where cannabis can be consumed.

The following chart summarizes the basic recreational cannabis regimes in place as of the date of this Annual Information Form:

Province or Territory	Minimum Age to Purchase Recreational Cannabis Products	Private and/or Public Operated Retailers	Online Sales
Alberta	18	Private and Public	Yes (Public only)
British Columbia	19	Private and Public	Yes (Public only)
Manitoba	19	Private	Yes
New Brunswick	19	Public	Yes
Newfoundland and Labrador	19	Private and Public	Yes (Public only)
Nova Scotia	19	Public	Yes
Ontario	19	Private and Public	Yes (Public only)
Prince Edward Island	19	Public	Yes
Quebec	21	Public	Yes
Saskatchewan	19	Private	Yes
Northwest Territories	19	Private and Public	Yes (Public only)
Nunavut	19	Private and Public	Yes
Yukon	19	Private and Public	Yes (Public only)

Bankruptcy

No voluntary or involuntary bankruptcy, receivership or similar proceedings have been engaged against the Group during the financial years ended December 31, 2021, December 31, 2020, December 31, 2019. No proceedings have been engaged against Focus, the Company or any of the Company's subsidiaries as of the date of this Annual Information Form.

Reorganizations

Other than as described below, no material reorganizations of the Company or any of its subsidiaries have taken place within the financial years ended December 31, 2021, December 31, 2020, December 31, 2019, or as of the date of this Annual Information Form, and there are no proposed reorganizations as of the date of this Annual Information Form.

On October 11, 2019, the Company completed the Reverse Takeover Transaction. The Reverse Takeover Transaction was effected by way of a "triangular merger" between the Company, IMC Holdings and a wholly-owned subsidiary of the Company pursuant to Israeli statutory law. The Board and management of the Company were reconstituted and subsequently led by Oren Shuster. As a result of the Reverse Takeover Transaction, the Company changed its business from mining to the international medical cannabis industry. Upon the completion of the Trichome Transaction, the Company expanded its activities to the Canadian recreational cannabis industry.

Social or Environmental Policies

The Company has not implemented any specific social or environmental policies that are fundamental to the Company's operations, other than as stated below. However, the Company consults with local advisors to ensure that the Group is in compliance with local environmental laws in each of the Group's operational jurisdictions.

TJAC and MYM have drafted and implemented very strict health and safety policies governing employee operations regarding hearing protection, eye protection and respiratory protection that supersedes minimum levels suggested by the Canadian Ministry of Labour.

RISK FACTORS

There are certain risks associated with owning securities of the Company that holders should carefully consider. The risks and uncertainties below are not the only risks and uncertainties facing the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair the business, operations and future prospects of the Company, cause the price of its securities to decline and cause future results to differ materially from those described herein. If any of the following risks actually occur, the business of the Company may be harmed and its financial condition and results of operations may suffer significantly. In that event, the trading price of the Company's securities could decline, and holders may lose all or part of their investment. In addition to the risks described elsewhere in the Company's filings on SEDAR at www.sedar.com, holders of securities should carefully consider each of, and the cumulative effect of all of, the following risk factors.

The cannabis-related business and activities of the Group are heavily regulated in all jurisdictions where it carries on business. The Group's operations are subject to various laws, regulations and guidelines by governmental authorities, particularly the MOH in Israel, Health Canada in Canada and BfArM in Germany, relating to the grow, propagate, manufacture, marketing, management, transportation, storage, distribution, sale, pricing and disposal of dried and fresh cannabis, cannabis plants and seeds, edible cannabis, cannabis extracts and cannabis topicals, in Canada and dried and fresh cannabis, cannabis seeds, clones and plants and cannabis extracts in Israel and in Germany. The Group's operations are also subject to laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment.

Consolidation of Certain Financial Results under IFRS 10 and Maintenance of Common Control

The Company complies with IFRS 10, which applies a single consolidation model using a definition of "control" that requires an investor (as defined in IFRS 10) to consolidate an investee (as defined in IFRS 10) where: (i) the investor has power over the investee; (ii) the investor has exposure or rights to variable returns from involvement with the investee; and (iii) the investor can use its power over the investee to affect the amount of the investor's returns.

Subsequent to the IMC Restructuring, the Company analyzed the terms of the contractual agreements with Focus (including the Commercial Agreements and the Focus Agreement) in accordance with IFRS 10 to conclude whether it should continue to consolidate the accounts of Focus in its financial statements.

Under IFRS 10, consolidation occurs when an investor can exercise control over an investee. Control is achieved through voting rights or other evidence of power. Where there are no direct holdings, under IFRS 10, an investor (as defined in IFRS 10) should consider other evidence of power and ability to unilaterally direct an investee's (as defined in IFRS 10) relevant activities. In view of the contractual agreements and the guidance in IFRS 10, notwithstanding that the Company has no direct or indirect ownership of Focus, it has sufficient rights to unilaterally direct the relevant activities (a concept known as "de facto control"), mainly due to the following:

(a) the Company receiving economic benefits from Focus (and the terms of the Commercial Agreements cannot be changed without the approval of the Company);

(b) the Company having the option to purchase the divested 74% interest in Focus held by Oren Shuster, the CEO, director and a promoter of the Company, and Rafael Gabay, a former consultant director, a former consultant and a promoter of the Company;

(c) Messrs. Shuster and Gabay each being a director of Focus (while Mr. Shuster concurrently being a director, officer and substantial shareholder of the Company and Mr. Gabay concurrently being a substantial shareholder of the Company); and

(d) the Company providing management and support activities to Focus through the Services Agreement.

Accordingly, under IFRS 10, the Company has "de facto control" over Focus, and therefore consolidates the financial results of Focus in the Company's financial statements.

Any failure of the Company or Messrs. Oren Shuster and Rafael Gabay to maintain "de facto control" over Focus as defined under IFRS 10 could alter the Company's consolidation model, potentially resulting in a material adverse effect on the business, results of operations and financial condition of the Company.

For the period ended December 31, 2021, the Company analyzed the terms of the definitive agreements with each of its Consolidated Entities in accordance with accounting criteria IFRS 10. Viewed as effectively exercising control over these Consolidated Entities, the Company consolidate the financial results of the Consolidated Entities as of the date of signing each such definitive agreement. Each of the definitive agreements for the Panaxia Transaction, the Pharm Yarok Transaction, the Vironna Transaction and the Oranim Transaction provide the Company with the power to unilaterally make all decisions regarding the financial and operating policies of each of the Consolidated Entities and the right to obtain all related economic benefits. The Panaxia Transaction, the Pharm Yarok Transaction, the Vironna Transaction and the Oranim Transaction were completed in the first quarter of 2022. For further information on the closing the transactions, please see "*General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments Following the Financial Year Ended December 31, 2021*".

Ownership of Focus

There is a risk that regulatory authorities in Israel may view the Company as the deemed owner of more than 5% of Focus and/or determine that the Company is in contravention of Israeli cannabis regulations. Namely, prior approval of the IMCA is required for any shareholder owning 5% or more of an Israeli company licensed to engage in cannabis-related activities. Any contravention of Israeli cannabis regulations could jeopardize the good standing of the Focus License. Such a determination may adversely affect the Company's ability to conduct sales and marketing activities and could have a material adverse effect on the Company's business, operating results or financial condition.

Involvement in the Israeli Cannabis Industry

Following the completion of the Panaxia Transaction, the Pharm Yarok Transaction, the Vironna Transaction and the Oranim Transaction (as described in " *General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments Following the Financial Year Ended December 31, 2021*"), the Company, through IMC Holdings, is now licensed to directly engage in the storage, distribution, transportation and sale of medical cannabis products in Israel (the "**Israeli Cannabis Activities**") in accordance with the current Israeli regulatory medical cannabis framework, which requires, among other things, pre-approvals by the IMCA of all directors, officers and shareholders holding over 5% of the license applicant and applies limitations on future securityholdings. Furthermore, due to the uncertainty related to the broad administrative discretion of the IMCA over the activities in the medical cannabis industry in Israel, the aforementioned approvals and restrictions may apply to the Company and its shareholders by virtue of a subsidiary engaging in Israeli Cannabis Activities. Any inability of the Company or any of its subsidiaries to comply with IMCA regulations could lead to enforcement action by the IMCA that impacts the ability of the Company to operate the Israeli Cannabis Activities, resulting in a material adverse effect on the business, results of operations, financial condition and prospects of the Company.

Governmental Regulation

Israel – MOH Regulation

Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of Focus and of the Israeli Pharmacies, Rosen High Way and IMC Pharma (the Israeli Pharmacies, Rosen High Way and IMC Pharma are collectively, the "**Israeli Licensed Companies**"), which can include the power to limit or restrict business activities, the import and export of cannabis products and the imposition of additional quality criteria and disclosure requirements on the products and services provided by Israeli Licensed Companies and Focus. Achievement of the Israeli Licensed Companies and Focus business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the production and sale of its products.

The Company cannot predict the time required for the Israeli Licensed Companies or Focus to secure all appropriate regulatory approvals for the products and activity, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations, financial condition and prospects of the Company.

Failure to comply with the laws and regulations applicable to its operations may lead to possible sanctions including the revocation or imposition of additional conditions on licenses to operate the Israeli Licensed Companies and/or the Focus business, the suspension or expulsion from a particular market or jurisdiction or of its key personnel, and the imposition of fines and censures. To the extent that there are changes to the existing laws and regulations or the enactment of future laws and regulations that affect the sale or offering of the Israeli Licensed Companies and/or Focus products or services in any way, this could have a material adverse effect on the business, results of operations, financial condition and prospects of the Company.

Canada – Health Canada Regulation

The Canadian cannabis market is regulated by Health Canada under the Cannabis Act and the Cannabis Regulations, which include a licensing and regulatory scheme governing the production, importation, exportation, testing, packaging, labelling, delivery, transportation, sale, possession and disposal of cannabis for adult use recreational and medical use.

On October 17, 2019, targeted amendments to the Cannabis Act and Cannabis Regulations came into force, adding three new authorized classes of cannabis for sale: edibles, extracts and topicals. The amendments introduced new regulatory controls to address sale of the new product classes, content and product specifications, packaging and licensing requirements. The effect of Health Canada's administration, application and enforcement of this new regulatory regime on the Company is unknown and the interpretation and application of the regulations may change at any time, or their implementation may be delayed. There is no assurance that the Company will be able to comply with these new regulations.

In addition, the governments of every Canadian province and territory have enacted and implemented their respective regulatory regimes for the distribution and sale of adult-use recreational cannabis within those jurisdictions. Various different models for distribution and sale have been implemented in each jurisdiction across Canada including government-operated retail and/or distribution models, privately operated retail and/or distribution models and hybrid approaches. These provincial and/or territorial legislation and regulatory regimes may change in ways that impact our ability to continue our business as currently conducted or proposed to be conducted. There is no guarantee that provincial or territorial regulatory regimes governing the distribution and sale of adult-use recreational cannabis in each jurisdiction will remain as currently enacted or that any such legislation and regulation will create the growth opportunities that the Companycurrently anticipates. The federal and provincial or territorial legislation and regulatory regimes for cannabis products also include excise duties payable by licenced cannabis producers on adult-use recreational cannabis products, in addition to goods and services tax/harmonized sales tax in certain provinces and territories. The rate of the excise duties for cannabis products varies by province and territory. Any significant increase in the rate of excise duties on cannabis products in the future could reduce consumer demands for cannabis products and adversely impact the adult-use recreational cannabis industry and market in general. In addition, any increase in the rate of excise duties on cannabis products in the future could reduce the Company's margins and profitability in the event that the Company could not or chose not to pass along such increases to consumers. Any of the foregoing could result in a material adverse effect of the Company's business, financial condition, results of operations and prospects.

The adult-use recreational cannabis industry and market in Canada is also subject to certain risks that are unique to this industry, as well as the risks that are currently applicable to the adult-use recreational and medical cannabis markets which are described elsewhere in this section. If any of these shared risks occur, the Company's business, financial condition, results of operations and prospects could be adversely affected in a number of ways, including by not being able to successfully compete in the adult-use recreational cannabis industry and by being subject to fines, damage awards and other penalties as a result of regulatory infractions or other claims brought against the Company.

Germany – BfArM Regulation

Legalization in Germany applies only to cannabis stemming from cultivation for medicinal purposes under state control and in preparations as finished medicinal products, in accordance with the Narcotic Convention. Currently, the production, distribution, exportation and importation of medical cannabis products in Germany is legal, subject to regulations and licensing requirements. Medical cannabis in Germany must comply with the corresponding monographs of the German and European pharmacopoeia.

The import, export and distribution of medical cannabis currently requires a wholesale permit pursuant to the AMG and a distribution permit for narcotics pursuant to the BtMG. Manufacturing operations require authorizations pursuant to AMG. All BtMG permit applications must specify the strains and estimated quantities of medical cannabis involved and any subsequent changes must be reported to the BfArM. The import of medical cannabis from other EU and non-EU countries requires quantity-based import licenses pursuant to the BtMG. In addition, for imports from a non-EU country, an import certificate pursuant to the AMG is required and in certain circumstances, depending on the import source, a general import permit may also be required under the AMG.

The Cannabis Agency, a cannabis division of the BfArM is overseeing the cultivation, harvesting, processing, quality control, storage, packaging and distribution to wholesalers, pharmacists and manufacturers. The Cannabis Agency also regulates pricing of German-produced medical cannabis products and serves as an intermediary of medical cannabis product sales between manufacturers, wholesalers and pharmacies on a non-profit basis. The Cannabis Agency has no influence on the actual retail price of medical cannabis products. The responsibilities of the Cannabis Agency are based on the requirements of the Narcotic Convention. The Cannabis Agency is not responsible for the import of medical cannabis products and will therefore neither purchase nor distribute imported medical cannabis products. As a wholesaler, the Cannabis Agency sells German-based medical cannabis products in its own name. The Cannabis Agency contracted with a distributor that was selected in a Europe-wide tender procedure and commissioned it to carry out the distribution of medical cannabis products in accordance with all pharmaceutical and narcotic legal requirements.

The current regime permits the importation of cannabis plants and plant parts for medicinal purposes under state control subject to the requirements under the Narcotic Convention. Pursuant to Narcotic Convention, Germany must estimate the expected demand of medical cannabis products for medical and research purposes for the following year and report such estimates to the International Narcotics Control Board. The estimates are also required to be reported by the BfArM by June 30th of each year.

As a prerequisite to obtaining a German import license, the supplier must grow and harvest in compliance with EU-GACP-Guidelines and manufacture in compliance with EU-GMP-Guidelines and certifications. All medical cannabis products imported to Germany must derive from plant material cultivated in a country whose regulations comply with the Narcotic Convention and must comply with the relevant monographs described in the German and European pharmacopeias. While these requirements also apply to the exportation of medical cannabis products, the current German regime does not allow domestically cultivated medical cannabis products to be directly sold to commercial entities other than the Cannabis Agency. Medical cannabis products imported pursuant to an import license under the BtMG and AMG permits are sold exclusively to pharmacies for final dispensing to patients on a prescription basis as ‘magistral preparations’, a term used in Europe to refer to medical products prepared in a pharmacy in accordance to a medical prescription for an individual patient. In addition to magistral preparations, medical cannabis products are also marketable as pre-packaged, licensed drugs.

Failure to comply with the laws and regulations applicable to the Company's operations may lead to possible sanctions, including revocation or suspension of licences (and thus the Company's inability to operate), recalls and withdrawals (both regulatory and as a result of competition law proceedings), the loss of eligibility as a corporate body of a corporation or as a medicinal product or narcotics law functionary (and thus the Company's inability to operate), flanked by administrative fines for regulatory offences, fines and imprisonment for criminal offences as well as administrative orders (requirements, prohibitions, etc.) as well as competition law warnings and proceedings (such as injunctions).

Reliance on Licensing

Israel – Reliance on the Israeli Licenses

The Company’s ability to produce, store, import, distribute and sell cannabis in Israel is dependent on the Israeli Licensed Companies and Focus maintaining the Israeli Licenses with the IMCA. Failure to comply with the requirements or any failure to maintain the Israeli Licenses would have a material adverse impact on the business, financial condition and operating results of the Company. There can be no guarantees that the IMCA will extend or renew any of Israeli Licenses as necessary or, if it extended or renewed, that any of the Israeli Licenses will be extended or renewed on the same or similar terms. Should the IMCA not extend or renew any of Israeli Licenses or should it renew any of the Israeli Licenses on different terms, the business, financial condition and results of the operations of the Companywould be materially adversely affected.

Canada – Reliance on the Canadian Licenses

The Company's ability to produce, store and sell cannabis and derivate products in Canada is dependent on TJAC and MYM maintaining the Canadian Licenses. Failure to comply with the requirements of the Health Canada issued licenses or any failure to maintain their respective licenses would have a material adverse impact on the business, financial condition and operating results of the Company.

Although management believes it will continue to meet the requirements of the Cannabis Act for extension of the Canadian Licenses, there can be no guarantee that Health Canada will extend or renew the applicable licences or, if it is extended or renewed, that it will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew each of the Canadian Licenses, or should it renew the Canadian Licenses on different terms or not provide the amendments as requested for anticipated capacity increases, the business, financial condition and results of the operations of the Companywill be materially adversely affected. TJAC and MYM have also each been issued a cannabis license under the *Excise Act* which is required to package and distribute cannabis as described herein.

Prior to the expiry of each licence, TJAC and MYM must submit to Health Canada an application for renewal of the licence containing information prescribed by the Cannabis Act. Failure to comply with the requirements of the licence or any failure to renew the licence would have a material adverse impact on the business, financial condition, results of operations and prospects of the Company. The Company is not currently aware of any circumstances that would impede the renewal of any of its Canadian Licences.

Germany – Reliance on the Adjupharm Licenses

The Company's ability to produce and distribute cannabis through Adjupharm's certification as a EU-GMP and EU-GDP producer and distributor in Germany with wholesale, narcotics handling, manufacturing, procurement, storage and distribution authority is granted by German regulatory authorities. As of the date of this Annual Information Form, the quantities for import under the Adjupharm Licenses were updated on March 4, 2022. Failure to comply with the requirements of the BfArM issued licenses or any failure to maintain their respective licenses would have a material adverse impact on the business, financial condition and operating results of the Company.

Reliance on Licensed Facilities

Israel – Reliance on the Company's Facilities

The Focus Facility

The Focus License is specific to the Focus Facility and both must remain in good standing for Focus to conduct the medical cannabis activities authorized thereunder. Adverse changes or developments affecting the Focus Facility, including but not limited to the failure to maintain all requisite regulatory and ancillary permits and licenses, the failure to comply with state or municipal regulations, or a breach of security, could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Any breach of the Focus Lease Agreement or any failure to renew the Focus Lease Agreement, on materially similar or more favorable terms, may also have a material adverse effect on the Company's business, financial condition, results of operations and prospects, and could also have an impact on Focus' ability to continue operating the Focus Facility under the Focus License or to renew the Focus License.

The Focus Facility is subject to state and municipal regulation and oversight, including the acquisition of all required regulatory and ancillary permits to conduct operations or undertake any construction. Any breach of regulatory requirements, security measures or other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by government regulators at all levels, could also have an impact on Focus' ability to maintain the Focus Lease Agreement and/or keep the Focus Facility in good standing, and to continue operating under the Focus License or the prospect of renewing the Focus License.

In December 2020, the municipal committee presiding over planning and construction in southern Israel (the " **Construction Committee**") advised Focus that it was the subject of certain allegations regarding inadequate permitting for construction relating to the Focus Facility (the "**Construction Allegations**"). Focus' shareholders, officers and directors, including Oren Shuster and Rafael Gabay, received a summons and have testified before the Construction Committee. In January 2021, the MOH advised Focus that it had received a complaint of the same nature as the Construction Allegations (the "**MOH Allegations**"). On July 11, 2021, the Company was informed that a claim was filed by Construction committee against Focus, Focus' directors, shareholder, officers, and certain landowners, including Oren Shuster and Rafael Gabay, claiming for inadequate permitting for construction relating to the Focus Facility (the "**Construction Proceedings**"). A hearing is set to June 13, 2022. At this preliminary stage, based on the opinion of its legal counsel, Focus' management cannot assess the chances of the claim advancing or the potential outcome of the Construction Proceedings.

Potential consequences of any negative outcome of the Construction Proceedings may include, but are not limited to: (i) criminal charges against defendants; (ii) monetary penalties or fines; (iii) temporary or permanent suspension of the Focus License; and (iv) other consequences that may limit, in part or as a whole, Focus' operations under the Focus License. A negative outcome to the Construction Proceedings or the MOH Allegations may have a material adverse effect on the business, results of operations and financial conditions of the Company.

The Israeli Facilities

The Israeli Licenses are specific to each respective Israeli Facility holding such license and therefore both the license and the facility must remain in good standing for each the Israeli Pharmacies and the Company's trading houses to be able to conduct the Israeli Cannabis Activities authorized thereunder. Adverse changes or developments affecting the Israeli Facilities, including but not limited to the failure to maintain all requisite regulatory and ancillary permits and licenses, the failure to comply with state or municipal regulations, or a breach of security, could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Any breach of any lease agreement relevant to the operations of the Israeli Facilities or any failure to renew such lease agreements, on materially similar or more favorable terms, may also have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Canada – Reliance on Canadian Facilities

The Company's Canadian cultivation and harvesting, drying, curing, processing, extraction, packaging and sale activities are carried out at the Canadian Facilities. Adverse changes or developments affecting the Canadian Facilities, including but not limited to changes to municipal laws regarding zoning, facility design errors, environmental pollution, non-performance by third party contractors, increases in materials or labour costs, labour disputes or disruptions, inability to attract sufficient numbers of qualified workers, productivity inefficiencies, equipment or process failures, production errors, disruption in the supply of energy and utilities and major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms, would have a material and adverse effect on the Company's business, financial condition, results of operations and prospects. The Company's operations and financial performance may be adversely affected if it is unable to keep up with maintenance requirements.

The TJAC Licenses and the MYM Licenses are specific to each of their respective licensed sites. As such, the TJAC Licenses and the MYM Licenses must remain in good standing to conduct the cannabis cultivation, processing and sales activities authorized thereunder. Adverse changes or developments affecting the Canadian sites or facilities, including but not limited to the failure to maintain all requisite regulatory and ancillary permits and licenses, the failure to comply with provincial or municipal regulations, or a breach of security, could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

In addition, any breach of either of the TJAC Leases or the Sublime Lease or failure to renew any of them on materially similar or more favorable terms, may have a material adverse effect on the Company's business, financial condition, results of operations and prospects, and could also have an impact on TJAC and Sublime's abilities to continue operating under their respective licenses or to renew any of their respective licenses.

The TJAC Facilities and the Sublime Facility are leased facilities. Any breach of regulatory requirements, security measures or other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by government regulators at all levels, could also have an impact on (i) TJAC's ability to maintain the TJAC Leases and/or keep the TJAC Facilities in good standing, and to continue operating under the TJAC Licenses or the prospect of renewing one or both of the TJAC Licenses or (ii) Sublime's ability to maintain the Sublime Lease and/or keep the Sublime Facility in good standing, and to continue operating under the Sublime License or the prospect of renewing the Sublime Licenses.

The TJAC Facilities and the MYM Facilities continue to operate with routine maintenance. TJAC and Sublime will bear some of the costs of maintenance and upkeep of the TJAC Facilities and the Sublime Facility in accordance with the terms of the respective TJAC and Sublime Leases, including replacement of components over time. Highland will bear all of the costs of maintenance and upkeep of the Highland Facility, which Highland owns. TJAC's, Highland's and Sublime's operations and the Company's financial performance may be adversely affected if each entity is unable to keep up with such maintenance requirements.

Germany – Reliance on Logistics Centre

The Company's state of-the-art Logistics Centre in Germany allows Adjupharm to manage all aspects of its supply chain including the production, the repackaging and distribution of bulk medical cannabis. Any breach of regulatory requirements, including any failure to comply with recommendations or requirements arising from inspections by government regulators, could also have an impact on Adjupharm's ability to maintain the licenses and/or keep the Logistics Centre in good standing, and to continue operating it under the licenses, could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Reliance on Supply and Distribution Agreements

Israel – Supply, manufacture *and Distribution Agreements*

Focus and the Israeli Licensed Companies rely on and are substantially dependent on various supply agreements with third-party cannabis cultivators, imported cannabis products manufacture agreements and distribution agreements to fulfill the supply requirements of its distribution and sales agreements with pharmacies in the Israeli medical cannabis market. The Israeli Licensed Companies and Focus acquire cannabis from third parties in amounts sufficient to operate its business. However, there can be no assurance that there will continue to be a supply of cannabis available for the Companyto purchase in order to operate or expand. Additionally, the price of cannabis and other inputs may rise which would increase the cost of goods. If any suppliers fail to supply any contracted materials to Focus or the Israeli Licensed Companies, the Israeli Licensed Companies and Focus may fail to meet purchase commitments from their distribution partners. If the Companywere unable to acquire the cannabis or other inputs required to operate or expand or to do so on favourable terms, or fail to maintain the manufacture agreements with IMC-GMP manufacture companies, it could have a material adverse impact on the Company's business, financial condition and results of operations. If any of the Company's suppliers fails to provide inputs meeting the Company's quality standards, it may need to source cannabis or other inputs from other suppliers, which may result in additional costs and delay in the delivery of its products and services to distributors, pharmacies and patients. There is no assurance that suppliers will be able to supply and deliver the required materials to the Company in a timely manner or that the materials they supply to the Companywill not be defective or substandard. Any delay in the delivery of materials, or any defect in the materials, supplied to the Companymay materially and adversely affect or delay its production schedule and affect its product quality. Consequently, the Companyrelies on the suppliers of such supply agreements to provide necessary cannabis products to Focus and the Israeli Licensed Ccompanies. If the Companycannot secure cannabis of similar quality and at reasonable prices from alternative suppliers in a timely manner, or at all, Focus or the Israeli Licensed may not be able to deliver its products to distributors, pharmacies or patients on time with the required quality. The various suppliers and distributors may elect, at any time, to breach or otherwise cease to participate in supply, service or distribution agreements, or other relationships, upon which the Company's operations rely. Loss of its suppliers, service providers or distributors or their timely service would have a material adverse effect on the Company's business and operational results.

Canada – Reliance on Provincial Supply Agreements in Canada

TJAC and MYM expect to derive a significant portion of their future revenues from the adult-use cannabis industry and market in Canada, through its provincial supply agreements. A loss of one or a number of such provincial supply agreements could materially impact TJAC or MYM's profit margins for the foreseeable future by requiring TJAC or MYM to sell at lower margins through alternative sales channels (such as business-to-business sales agreements with intermediary Licensed Producers), unless more suitable sales arrangements could be secured. A loss of one or more of TJAC or MYM's provincial supply agreements may ultimately lead to a material adverse effect on the business, results of operations and financial conditions of the Company.

Germany – Reliance on Supply and Distribution Agreements in Germany

Adjupharm relies on its sales and distribution agreements to supply IMC-branded products to distribution partners in Germany, which are then distributed to German pharmacies for sales to medical cannabis patients and also on direct sales by Adjupharm of IMC-branded products to German pharmacies.

Adjupharm relies on supply agreements with cannabis cultivators and producers in order to meet the demands of their respective sales agreements with distribution partners and pharmacies. Consequently, the Companyrelies on the suppliers of such supply agreements to provide necessary cannabis products to Adjupharm. If any suppliers fail to supply any contracted materials to Adjupharm, Adjupharm may fail to meet purchase commitments from their distribution partners and this could result a material adverse effect on the Company's business, financial and operational results.

Tax Remittance

The Company is subject to the provisions of the ITA12 and to review by CRA13. The Company files its annual tax compliance based on its interpretation of the ITA and CRA's guidance. There is no certainty that the returns and tax position of the Company will be accepted by CRA as filed. Any difference between the Company's tax filings and CRA's final assessment could impact the Company's results and financial position.

As at December 31, 2021, the Company's financial statements included a tax liability of $9,060 and a tax indemnification asset of $8,835. The indemnification asset, intended to cover certain statutory tax obligations arising from the Trichome Transaction to the CRA, consists of: (1) 927,463 Common Shares; (2) The Company is a party to an indemnification agreement with certain directors and officers of the Company and Trichome to cover certain tax liabilities, interest and penalties arising from the Trichome Transaction; (3) a director of the Company has entered into a security pledge agreements with the Company to secure the obligations under the indemnification agreement. The director has pledged an aggregate of 833,508 Common Shares and 275,125 vested RSU's in favour of the Company.; (4) the director has transferred the Company cash in the amount of $3,250 (the "Indemnification Asset").

There can be no assurance that the Indemnification Asset will be sufficient to satisfy the requisite payments to the CRA. Additionally, there can be no assurance that the directors and officers whom are party to the indemnification agreement will make sufficient payments to the Company and/or CRA, or make the payments at all.

There can be no assurance that income tax laws or the interpretation thereof in any of the jurisdictions in which the Company operates will not be changed or interpreted or administered in a manner which adversely affects the Company and its shareholders. In addition, there is no assurance that CRA will agree with the manner in which the Company calculates taxes payable or that any of the other tax agencies will not change their administrative practices to the detriment of the Company or its shareholders.

Negative Cash Flow from Operations

During the year ended December 31, 2021, the Company had negative cash flows from operating activities. Although the Company expects to generate positive cash flows from its future operating activities, there is no assurance that it will achieve this objective. If operational cash flows continue to be negative, the Company may be required to fund future operations with alternative financing options such as offerings of shares.

Additional Financing

There is no assurance that the Company will be able to secure the funds necessary to implement its strategies. Additional debt incurred by the Company from engagements such as major acquisitions may cause the Company's debt level to increase and result in difficulties in completing or negotiating future debt financings. Any triggering of credit defaults or failure to raise capital by the Company may cause significant delays in carrying out business objectives or result in a material adverse effect on the Company's business, financial condition, operational results and prospects.

Evolving Market Competition

There is potential that the Group will face intense competition from other companies or groups of companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than the Group. Because of the early stage of the industry in which the Group operates, as well as evolving legislation and governmental initiatives in a number of jurisdictions, the Group expects to face additional competition from new entrants in the jurisdictions in which it currently operates or is contemplating operations. If the number of users of medical cannabis products in Israel and Europe increases, the demand for products in such areas will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products and pricing strategies. Similarly, as the adult-use recreational cannabis market matures in Canada, there is potential that the Company may face intense competition from other domestic and international cannabis brands, cultivators and distributors operating in Canada that are more established or may have access to greater financial resources. Increased competition by larger and better-financed competitors could materially and adversely affect the business, financial condition and results of operations of the Group.

Constraints on Marketing Products under Cannabis Laws

The development of the Group's business and operating results may be hindered by applicable restriction on promotion marketing and advertising activities imposed by the MOH, Health Canada or BfArM. If the Group is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through the selling price for its products, the Group's sales and operating results could be adversely affected.

Industry Consolidation

The cannabis industry is undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. It is possible that industry maturation could create larger companies that may have increased geographic scope. Such acquisitions or other consolidating transactions could harm the Group in a number of ways, including the loss of strategic partners (if they are acquired by or enter into relationships with a competitor), customers, or revenue and market share, all of which could harm the Group's operating results. The Group's operating results could also be harmed if the Group was forced to expend greater resources to meet new or additional competitive threats. Additional competition from larger, better-financed competitors with geographic advantages could outcompete the Group by placing downward pressure on retail prices for products and services. This could ultimately cause a material adverse effect on the business, financial condition, results of operations and prospects of the Group.

Conditions in Israel

The Group is vulnerable to the political, economic, legal, regulatory, and military conditions affecting Israel and the Middle East. Armed conflicts between Israel and its neighbouring countries and territories occur periodically in the region and may adversely affect the Group's business, results of operations and financial condition. In addition, the Group may be adversely affected by other events or factors affecting Israel such as the interruption or curtailment of trade between Israel and its trading partners, or any restrictions or pressure on the Group's partners or customers or others to prevent or discourage them from doing business activities with Israel or Israeli businesses, a significant downturn in the economic or financial condition of Israel, a significant downgrading of Israel's internal credit rating, labour disputes and political instability, including riots, uprisings and government failures. Restrictive laws or policies directed towards Israel or Israeli businesses could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Furthermore, under Israeli law, citizens and permanent residents of Israel are obligated to perform military reserve duty for extended periods of time and are subject to being called to active duty at any time under emergency circumstances. In response to increased hostilities, there have been periods of significant call-ups of military reservists. It is possible that there will be additional call-ups in the future, which may include officers and key personnel of the Company, which could disrupt business operations for a significant period of time.

Conflict and Political Instability in Eastern Europe

The first part of 2022 has seen significantly higher levels of volatility in global markets due to market participants' reactions to, and uncertainty surrounding, the magnitude and timing of government and central bank action to be taken in response to heightened inflation, as well as Russia's invasion of Ukraine. This volatility has resulted in a decline in the level of activity in the financial markets. Continued market volatility or uncertainty related to actions taken or to be taken by central banks, a decline in the global macroeconomic outlook, including as a result of Russia's invasion of Ukraine and the threat, or outbreak of more widespread armed conflict in Eastern Europe would cause financial market activity to continue to decrease, which would negatively affect the Group's revenues and capital markets activity.

Political Risk

As discussed further below under " *Foreign Market Participation*", political risk is an additional risk that the Group may be exposed to when operating in a foreign market. Examples of political risk include without limitation social unrest, threats or occurrences of war, organized crime, political instability, changes of government and changes in taxation policies in domestic and international markets and jurisdictions in which the Group operates.

While the Group actively analyzes risks and developments in foreign markets that it currently or will participate in, there is no assurance that unpredicted impacts will not occur. Depending on the magnitude of such unpredicted impacts, there may be a material adverse effect on the Group's business, financial condition, operating results and prospects.

Inflation Risk

Global economies are currently experiencing elevated inflation which could curtail levels of economic activity, including in our primary production markets. This inflation is predominantly driven by costs of goods as input costs continue to increase with the overall increase in costs caused by several external factors including but not limited to general uncertainties caused by global supply chain constrictions, rising energy prices and the global COVID-19 pandemic. As such, delivery and distribution costs, utility costs and other necessary supplies at an economic cost cannot be assured. These are integral requirements for the Group's business and it is reasonable to expect that inflation, supply shortages or increases in demand could impact the Group's future economic performance and competitiveness, as it may entail a meaningful increase in costs for various goods and services that the Group may not be able to pass onto patients or customers. In addition, the operations of the Group could be affected by the economic context should interest rates, inflation or unemployment levels reach levels that consumer trends and spending and, consequently, impact the sales and profitability of the Group. The Group may not be able to effectively or successfully address such risks and uncertainties or successfully implement operating strategies to mitigate the impact of such risks and uncertainties. In the event that the Group fails to do so, such failure could materially harm the Group's business.

Product Security and Storage

Due to the nature of the Group's products and the limited legal channels for distribution, the Israeli Facilities the Canadian Facilities and the Logistics Centre of the Group is subject to the risk of theft of its product and other security breaches. A security breach in any one of the Group's facilities could result in a significant loss of available product, revocation of cannabis licenses, exposure to additional liability under applicable regulations and to potentially costly litigation or increased expenses relating to insurance premiums and other resolutions and future prevention of security breaches, any of which could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group stores products in the Focus Facility, the Israeli Facilities, the Logistics Centre and the Canadian Facilities before distribution. Pursuant to the applicable Israeli, German and Canadian licensing requirements, Focus, the Israeli Licensed Companies, Adjupharm, TJAC and MYM are required to maintain certain standards of storage for cannabis products. The risk of inventory theft from these facilities is mitigated by Focus, the Israeli Licensed Companies, Adjupharm, TJAC and MYM through the implementation of the security measures required under applicable laws, such as usage of qualified storage units, designated storage locations, locked storage vaults, access control, security cameras, and alert systems. Notwithstanding such security measures, any breaches of security may result in losses of inventory, potential litigation, and increased costs to bolster security and insurance.

Reliance on Other Business Licenses, Permits and Approvals

The Group is dependent on ancillary business licenses, permits and approvals granted by government authorities or other third parties in order to operate effectively including, without limitation, building permits, municipal permits, third-party licenses including distributors and suppliers, and foreign trade licenses. Should the Group fail to maintain any of these licenses, permits and approvals, or should it fail to renew any of such licenses, permits and approvals on materially similar or more favorable terms, the business, financial condition and results of the operations of the Group may be subject to a material adverse effect.

Shareholder Risk and Liability

Given the nature of the Group's business, it may from time to time be subject to claims or complaints from investors or others in the normal course of business. The legal risks facing the Group, its directors, officers, employees or agents in this respect include potential liability for violations of securities laws, breach of fiduciary duty or misuse of investors' funds. Violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or the suspension or revocation of the Group's right to carry on its existing business. The Group may incur significant costs in connection with such potential liabilities.

Compliance with Laws

The Group and its investees' operations are subject to various laws, regulations and guidelines. The Group endeavours to and cause its investees to comply with all relevant laws, regulations and guidelines. However, there is a risk that the Group's and its investees' interpretation of laws, regulations and guidelines, including, but not limited to applicable stock exchange rules and regulations, may differ from each other, and the Group and its investees' operations may not be in compliance with such laws, regulations and guidelines. Any potential noncompliance could cause the business, financial condition and results of operations of the Group to be adversely affected. Further, any amendment to or replacement of cannabis legislations and applicable rules and regulations governing the activities of the investees may cause adverse effects to the Group's operations. The risks to the business of the Group associated with the decision to amend or replace cannabis legislation and regulation, could reduce the addressable market for the Group's products and could materially and adversely affect the business, financial condition and results of operations of the Group.

The Group and its investees incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws and regulations may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures or remedial actions. Parties may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws or regulations, may have a material adverse impact on the Group's and/or its investees, resulting in increased capital expenditures or production costs, reduced levels of cannabis production or abandonment or delays in the development of facilities which could have a material adverse effect on the business, results of operations and financial condition of the Group.

The introduction of new tax laws, regulations or rules, or changes to, or differing interpretations of, or application of, existing tax laws, regulations or rules in any of the countries in which the Group invests could result in an increase in the Group's taxes, or other governmental charges, duties or impositions. No assurance can be given that new tax laws, regulations or rules will not be enacted or that existing tax laws, regulations or rules will not be changed, interpreted or applied in a manner which could result in the Group's profits being subject to additional taxation or which could otherwise have a material adverse effect on the Group.

Changes in Laws, Regulations and Other Guidelines

The Group's operations are subject to a variety of laws, regulations, and guidelines relating to the marketing, acquisition, manufacture, management, distribution (including import and export), transportation, storage, sale and disposal of cannabis products. The Group's operations are also subject to laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. Any changes to such laws and regulations that are beyond the control of the Group could have a material adverse effect on the business, results of operations, financial condition and prospects of the Group.

Management of Growth and Acquisition Integration

The Company may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. If the Company is unable to deal with this growth, any negative impact may have a material adverse effect on the Company's business, financial condition, results of operation and prospects.

In addition, the realization of the benefits of acquisitions made by the Company, including the acquisition of Trichome, MYM, certain operations from Panaxia, the Israeli Pharmacies and the trading house of Rosen High Way, depend in part on successfully consolidating functions and integrating and leveraging operations, procedures and personnel in a timely and efficient manner as well as the Company's ability to share knowledge and realize revenues, synergies and other growth opportunities from combining the acquired businesses and operations with those of the Company. The integration of acquired businesses may depend on a number of factors, including without limitation: (i) the input of substantial management effort, time and resources; (ii) the successful incorporation of key personnel from acquired companies for post-acquisition periods; and (iii) the execution of effective non-competition agreements with certain employees or ex-employees of the acquired companies. Any failure in successfully integrating acquired businesses may result in a material adverse effect on the Company's business, financial condition, operating results and prospects. The risks we face in connection with an acquisition include:

- diversion of management time and focus from operating our business to addressing acquisition integration challenges;
- coordination of research and development and sales and marketing functions;
- retention of employees from the acquired company;
- cultural challenges associated with integrating employees from the acquired company into our organization;
- integration of the acquired company's accounting, management information, human resources, and other administrative systems;
- the need to implement or improve controls, procedures, and policies at a business that prior to the acquisition may have lacked effective controls, procedures, and policies;
- potential write-offs of intangible assets or other assets acquired in transactions that may have an adverse effect on our operating results in a given period;
- liability for activities of the acquired company before the acquisition, including patent and trademark infringement claims, violations of laws, commercial disputes, tax liabilities, and other known and unknown liabilities; and
- litigation or other claims in connection with the acquired company, including claims from terminated employees, consumers, former stockholders, or other third parties.

Environmental and Employee Health and Safety Regulations

The Group's operations are subject to environmental and occupational safety laws and regulations in certain jurisdictions, concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and nonhazardous materials and wastes, and employee health and safety. The Group incurs ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Any failure to comply or maintain compliance with environmental and occupational safety laws and regulations may result in additional costs for corrective measures, penalties or restrictions on manufacturing operations and could have a material adverse effect on the business, results of operations and financial condition of the Group.

Ability to Meet Target Production Capacity

The Group's sales agreements are subject to estimates in target production capacity at the time of such agreement. These estimates may prove to be inaccurate due to uncontrollable external factors such as genetic drifts in strain of plants grown and general difficulties in estimating growth of cannabis plants. Any adverse misalignments between the target production capacity and actual production capacity may result in a material adverse effect on the Group's business, financial condition.

Ability to Secure New Suppliers and Distribution Partners

The Group's success depends on its ability to secure suppliers and distribution partners. There are many factors which could impact the Group's ability to secure suppliers and distribution partners, including but not limited to IMC and other brand awareness, the Group's ability to continually produce desirable and effective cannabis products, compliance with regulatory requirements in connection with import and export of cannabis products, and the successful implementation of new partnership plans. The failure to secure suppliers or distribution partners could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Reliance on Key Business Inputs

The Group's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing and distribution operations as well as electricity, water, and other utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs (e.g. rising energy costs) could cause a material adverse effect on the business, financial condition, and operating results of the Group. Any failure to secure required supplies and services or to do so on appropriate terms could also have a material adverse effect on the business, financial condition, and operating results of the Group.

Competition and Innovation to Achieve Strategic Objectives

In addition to being subject to general business risks applicable to a business involving an agricultural product and a regulated consumer product, the Group will need to make investments in its business strategy. These investments include the procurement of raw material, new cannabis strains supplier and distributor outreach projects, marketing efforts and research and development projects. The Group expects that competitors will undertake similar investments to compete with it. Competitive conditions, third-party partner preferences, patient requirements and spending patterns in this industry and market are relatively unknown and may have unique circumstances that differ from other existing industries and markets and contribute to unsuccessful future business development or expansion efforts by the Group or other undesirable consequences. As a result, the Group may not be successful in its efforts to secure suppliers or distribution partners or to develop new cannabis products and produce and distribute these cannabis products. In addition, these activities may require significantly more resources than the Company currently anticipates in order to be successful.

Any new cannabis products that the Group develops or distributes may be subject to time-intensive regulatory approval procedures that might delay any release schedules or lead to adverse market conditions that might affect product profitability. The Group may ultimately fail to effectively bring new product offerings to market for reasons that include, but are not limited to, stringent regulatory approval procedures. Any inability to introduce new product offerings may cause a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Reliance on Third Party Transportation

The Group relies on international third-party transportation services to deliver and receive product-related shipments. In the process of the deliveries, time delays, labor strikes, COVID-19-related issues, product storage issues or other logistical problems may occur and force late delivery or receipt of items or receipt of damaged items. Such delays, receipt of damaged items or other logistical problems may cause a material adverse effect on the Group's business, operations or financial condition. Rising costs associated with courier services used by the Group may also adversely impact the business of the Group and its ability to operate profitably.

In addition, any breach of security of the package during the possession of the third-party transportation service may result in violations of regulations regarding possession of cannabis products and thus may have a material adverse effect on the Group's business, financial condition and operating results.

Investment Business Strategy

As part of the Company's business strategy, it seeks new opportunities in the cannabis industry. In pursuit of such opportunities, the Company may fail to select appropriate investment candidates and negotiate acceptable arrangements. The Company cannot provide assurance that it can complete any investment that it pursues or is pursuing, on favourable terms, or that any investment completed will ultimately benefit the Company. In addition, the Company's capital solutions may not attract a following in the cannabis industry. In the event that the Company chooses to raise debt capital to finance any acquisition or other arrangement, the Company's leverage will be increased. In addition, the introduction of new tax laws or regulations, or accounting rules or policies, or rating agency policies, or changes to, or differing interpretations of, or application of, existing tax laws or regulations or accounting rules or policies or rating agency policies, could make the productivity and services offered by the Company less attractive to investees. Such changes could adversely affect the Company's ability to enter into new investments.

Risks Inherent in Strategic Alliances

The Group may enter into further strategic alliances with third parties that it believes will complement or augment its existing business. The Group's ability to complete strategic alliances is dependent upon, and may be limited by, the availability of suitable candidates and capital. In addition, strategic alliances could present unforeseen integration obstacles or costs, may not enhance the Group's business, and may involve risks that could adversely affect the Group, including significant amounts of management time that may be diverted from investment activities operations to pursue and complete such transactions or maintain such strategic alliances. Future strategic alliances could result in the incurrence of additional debt, costs and contingent liabilities, and there can be no assurance that future strategic alliances will achieve the expected benefits to the Group's business or that the Group will be able to consummate future strategic alliances on satisfactory terms, or at all.

While the Company conducts due diligence with respect to investees, there are risks inherent in any investment. Specifically, there could be unknown or undisclosed risks or liabilities of investees for which the Company is not or will not be sufficiently indemnified. Any such unknown, undisclosed or unmitigated risks or liabilities could materially and adversely affect the Company's financial performance and results of operations. The Company could encounter additional transaction and enforcement related costs or other factors such as the failure to realize all of the benefits from its investments. Any of the foregoing risks and uncertainties could have a material adverse effect on Group's business, financial condition and results of operations.

Risks Associated with Divestment

In certain circumstances, the Company may decide, or be required, to divest any of its direct or indirect interests in certain investees. In particular, if any of the investees violate any applicable laws and regulations, the Company may be required to divest its indirect or direct interest in such investee or risk significant fines, penalties, administrative sanctions, convictions or settlements. There is no assurance that these divestitures will be completed on terms favourable to the Company, or at all. Any opportunities resulting from these divestitures, and the anticipated effects of these divestitures on the Company may never be realized, or may not be realized to the extent the Company anticipates. Any required divestiture or an actual or perceived violation of applicable laws or regulations could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holdings (directly or indirectly) in the investees, the listing of its securities on applicable stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that may be required for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

Reliance on Key Personnel

The Company has relied upon the ability, judgment, discretion and good faith of its executive management team. The Company's future success depends on its continuing ability to attract, develop, motivate and retain highly qualified employees, especially its key personnel. If the Company were to lose any members of the executive management or key employees, any inability to find suitable replacements at reasonable costs may have a material adverse effect on the Company's business, financial condition and results of operations. Further, as designated individuals of a licensee under the Cannabis Act, certain key personnel of the Company are subject to a security clearance by Health Canada. There is no assurance that any of the Company's key personnel who presently or may in the future require a security clearance will be able to obtain or renew such clearances or that new personnel who require a security clearance will be able to obtain one. A failure by any of those individuals to maintain or renew his or her security clearance, could result in a material adverse effect on the Company's business, financial condition and results of operations. In addition, if any such individual leaves the Company, and the Company is unable to find a suitable replacement that has a security clearance required by applicable law, or at all, there could occur a material adverse effect on the Company's business, financial condition and results of operations.

Reliance on International Advisors and Consultants

The legal and regulatory requirements in the foreign countries in which the Group may invest or operate in with respect to the cultivation and sale of cannabis, banking systems and controls, as well as local business culture and practices are different from those in Canada. The Group's officers and directors must rely, to a great extent, on local legal counsel and consultants in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect the Group's business operations, and to assist with governmental relations. The Group must rely, to some extent, on those members of management and the Board who have previous experience working and conducting business in these countries, if any, in order to enhance the Group's understanding of and appreciation for the local business culture and practices. The Group also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of the cultivation and sale of cannabis as well as in respect of banking, financing, labour, litigation and tax matters in these jurisdictions. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices are beyond the Group's control. The impact of any such changes may cause a material adverse effect to the Group's business, financial condition, operating results and prospects.

Foreign Market Participation

Global capital markets have also recently experienced extreme volatility which may, in conjunction with the factors set out above and despite the actions of government authorities, contribute to a worsening of general economic conditions including, rising interest rates, high levels of inflation and unemployment in Canada and other economies, the unavailability of credit or the devaluation of currencies. Unexpected changes in these factors and financial market and economic conditions Group's financial condition, profitability and cash flows, and may also have a negative effect on the valuation of, and the ability of the Groupto exit or partially divest from, investment positions. Depending on conditions, the Groupmay incur substantial realized and unrealized losses in future periods, all of which may materially adversely affect its results of operations and the value of any investment in the Group.

The Groupcontinues to monitor developments and policies in the foreign markets in which it operates or invests and assess the impact thereof to its operations; however, such developments cannot be accurately predicted. The realization of any of these risks may significantly impair the Group's local operations and have a material adverse effect on the Group's business, financial condition and results of operations.

These risks may also limit or disrupt the Group's strategic alliances or investments, restrict the movement of funds, increase the Group's costs, or result in the deprivation of contract rights or the taking of property by nationalization or expropriation without fair compensation, and may have a material adverse effect on the Group's financial position and/or results of operations. In addition, the enforcement by the Group of its legal rights in foreign countries, including rights to exploit properties or utilize permits and licenses and contractual rights may not be recognized by the court systems in such foreign countries or enforced in accordance with the rule of law.

Future Acquisitions or Dispositions

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including but not limited to the potential disruption of the Group's ongoing business, distraction of management, the Company may become more financially leveraged, the failure to realize anticipated benefits of those transactions fully or at all, or may take longer to realize than expected, and loss or reduction of control over certain Group assets.

Despite the Company's due diligence efforts, the presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Company. A strategic transaction may result in a significant change in the nature of the Company's business, operations and strategy. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

In addition, the Company's strategic transaction decisions are based on the economic assessments made by the Company and its external advisors. Such economic assessments involve a series of assumptions regarding factors such as future cannabis prices, production requirements, expected revenue growth, cash flow and financing requirements, future capital expenditures and operating costs. Many of these factors are subject to change and are beyond the control of the Company. In addition, future acquisition or international expansion could require the Group to incur a number of up-front expenses, including those associated with obtaining regulatory approvals, as well as additional ongoing expenses, including those associated with infrastructure, buildout, staff and regulatory compliance. If there is any significant negative change in any of these factors, the Group may experience a material adverse effect on its business, financial condition, operating results and prospects.

Foreign Expansion Efforts and Operations

The Group's expansion into foreign jurisdictions is subject to additional business risks, including new or unexpected risks or could significantly increase the Group's exposure to one or more existing risk factors, including economic instability, changes in laws and regulations, and the effects of competition, as well as operational, regulatory, compliance and reputational and foreign exchange rate risk. The failure of the Group's operating infrastructure to support such expansions could result in operational failures and regulatory fines or sanctions. Additionally, there is no guarantee that the Group will be able to realize any of the anticipated benefits of any transactions related to the Group expansion strategy.

No U.S. Operations

The Company and, to its knowledge, its subsidiaries do not currently engage in any U.S. cannabis-related activities as defined in CSA Staff Notice 51-352. To date, the Company has caused its investees to only conduct business and invest in entities in federally-legal jurisdictions by including appropriate representations, warranties and covenants in its agreements with investees. However, an investee may breach such obligations. Any such violation of such obligation would result in a breach of the applicable agreement and, accordingly, may have a material adverse effect on the business, operations and financial condition of Company.

Risks Inherent in the Agricultural Business

The Company's business, specifically as it pertains to, TJAC, MYM and the Company's relationship with Focus, involves the growing of cannabis products, which are agricultural products. As such, the business is subject to the risks inherent in the agricultural business, such as pests, plant diseases and similar agricultural risks. Although, TJAC, MYM and Focus and their respective third-party cultivators carefully monitor the growing conditions with trained personnel and applicable equipment, there can be no assurance that natural elements will not have a material adverse effect on the production of its products and results of operations. Any decline in production by, TJAC, MYM and Focus or could have a material adverse effect on the Group's business, operating results or financial condition.

Illegal Market Competition

As a participant of the cannabis market in international jurisdictions with varying regulations, the Group may be subject to competition from entities that conduct illegal cannabis business operations. Such entities may resort to competitive measures such as producing products with prohibited concentrations of THC and CBD or producing imitations of the Group's products without the authorization or endorsement of the Group. If demand for these illegal products increases and local governments fail to regulate markets accordingly, the Group may experience a material adverse effect on its business, operating results and prospects.

Publicity and Consumer Perception

The Group believes the medical cannabis industry is highly dependent upon consumer perception regarding the safety, efficiency and quality of the medical cannabis products produced. Consumer perception of the Group's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical cannabis 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 cannabis market or any particular product, or consistent with earlier publicity.

Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for products bearing the brands marketed and sold by the Group and the business, results of operations, financial condition, prospects and the Group's cash flows.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical cannabis products in general, or the Group's products specifically, or associating the consumption of medical cannabis products with illness or other negative effects or events, could have a material adverse effect. 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.

Perceived Effects of Products

If the products the Group sells are not perceived to have the effects intended by the end user, its business may suffer. There is little long-term data with respect to efficacy, unknown side effects and/or interaction with individual human biochemistry of various cannabis products. As a result, the Group's products could have certain side effects if not taken as directed or if taken by an end user that has certain known or unknown medical conditions.

Reputational Risk to Third Parties

The parties outside of the cannabis industry with which the Group does business may perceive that they are exposed to reputational risk as a result of the Group's cannabis business activities. Failure to establish or maintain business relationships could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Information Technology

The Group's operations will depend, in part, on how well it and its supply and distribution partners protect networks, equipment, information technology systems (" **IT systems**") and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Group's operations also will depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of IT systems or a component of IT systems could, depending on the nature of any such failure, adversely impact the Group's financial condition, operating results and reputation.

Cybersecurity

The Group's information systems and its third-party service providers and vendors are vulnerable to increasing threat of continually evolving cybersecurity risks, resulting in data breaches and data losses. These risks arising from events including without limitation malware, computer viruses, employee error, extortion, malfeasance, system errors, and hacking. In order to minimize the risk of these events from occurring, the Group is performing timely maintenance, upgrade and replacement of networks, equipment, IT systems and software and other protective measures. However, any failure or delay in maintaining, upgrading or replacing such systems and software could materially increase the risk of cybersecurity incident and data breach or data loss, and the Group may experience operational delays, information system failures, and/or increases in capital expenses. Ultimately, the Group's business, financial condition, operating results and reputation may be impacted adversely by such occurrences.

The Group has not experienced any material losses to date relating to cybersecurity-attacks or other information security breaches, but there can be no assurance that the Group will not incur such losses in the future. The Group's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Group may be required to expend additional resources to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Privacy

The Group collects and stores certain personal information about its patients and customers, and is responsible for protecting that information from privacy breaches. A privacy breach may occur through certain threats, including, without limitation, procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions, computer viruses, and cyber-attacks. Theft of data for competitive purposes is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, there are a number of Israeli, German, European, and Canadian federal and provincial laws, rules and regulations protecting the privacy and confidentiality of certain patient health information, and private information including patient records, and employee information, and restricting the collection, use transfer, storage, disposal and disclosure of that protected information. The interpretation and enforcement of such laws and regulations are uncertain, are subject to change and may require the Group to incur substantial costs to monitor and implement compliance with any additional requirements.

In Canada, the privacy rules under PIPEDA and provincial statutes regulating the collection, use and disclosure of personal information, protect medical records and other personal health information by limiting their use and disclosure of health information to the minimum level reasonably necessary to accomplish the intended purpose. If the Group was found to be in violation of the privacy or security rules under PIPEDA or other failure to comply with the applicable privacy or security rules, laws, regulations protecting the privacy data and confidentiality of patient health information in the jurisdictions in which the Group operates could result in sanctions and civil or criminal penalties, litigation, adverse publicity, which could increase its liabilities, harm its reputation and have a material adverse effect on the business, financial condition and operating results of the Group. In addition, the EU's GDPR governs the collection and use of personal data in the European Union. The GDPR, which is wide-ranging in scope, will impose several requirements relating to the consent of the individuals to whom the personal data relates, the information provided to the individuals, the security and confidentiality of the personal data, data breach notification and the use of third-party processors in connection with the processing of the personal data. The GDPR also imposes strict rules on the transfer of personal data out of the EU to the U.S., enhances enforcement authority and imposes large penalties for noncompliance, including the potential for fines of up to EUR 20 million or four percent of the annual global revenues of the infringer, whichever is greater. In addition, certain breaches of the GDPR may result in regulatory investigations, reputational damage and civil lawsuits including class action lawsuits. In the State of Israel, privacy rights and obligations are mainly regulated under the *Protection of Privacy Law, 5741-1981* (the "**Israeli Privacy Law**") and the regulations promulgated thereunder (mainly the *Protection of Privacy (Data Security) Regulations, 5777-2017* and the *Protection of Privacy (Transfer of Data Abroad) Regulations, 5761-2001*) (the "**Israeli Privacy Regulations**"). Under the Israeli Privacy Law, 'information' and 'sensitive information' includes information such as those related to a person's health, personality, intimate affairs, financial condition, faith and opinions. The Israeli Privacy Law impose obligations related to database registration, notice, disclosure and use restrictions on an 'owner' of a database, and the Israeli Privacy Regulations set forth the security measurements to be implemented and the rules related to the transfer of personal information. Violation of the Israeli Privacy Law could lead to a criminal investigation or an administrative enforcement procedure on behalf of the Israeli Privacy Protection Authority, as well as an administrative fine imposed pursuant to the *Administrative Offenses Law, 5746-1985*. In addition, legal remedies such as statutory compensation of up to NIS 50,000 are available to successful claimants of privacy violations.

Additional jurisdictions in which the Group operates or in which it may enter in the future, also have data privacy and security laws and regulations that govern the collection, use, disclosure, transfer, storage, disposal, and protection of sensitive personal information. The interpretation and enforcement of such laws and regulations are uncertain, are subject to change and may require the Group to incur substantial costs to monitor and implement compliance with any additional requirements. Failure to comply with data protection laws and regulations could result in government enforcement actions, litigation and/or adverse publicity and could negatively affect the Group's operating results, business and prospects.

Wholesale Price Volatility

The cannabis industry is a margin-based business in which gross profits depend on the excess of sales prices over costs. Consequently, profitability is sensitive to fluctuations in wholesale and retail prices caused by changes in supply (which itself depends on other factors such as weather, fuel, equipment and labour costs, shipping costs, economic situation, government regulations and demand), taxes, government programs and policies for the cannabis industry (including price controls and wholesale price restrictions that may be imposed by government agencies responsible for the sale of cannabis), and other market conditions, all of which are factors beyond the control of the Group. The Group's operating incomes may be significantly and adversely affected by a decline in the price of cannabis products and will be sensitive to changes in the price of cannabis products and the overall condition of the cannabis industry, as the Group's profitability is directly related to the price of cannabis products. The price of cannabis products is affected by numerous factors beyond the Group's control. Any price decline may have a material adverse effect on the Group's business, financial condition and results of operations.

Fraudulent or Illegal Activity

The Group's employees, independent contractors and consultants may expose the Group to additional risk if they engage in fraudulent or other illegal activity prohibited by relevant laws. Although the Group has set preventative measures in place to minimize such fraud or illegal activities from occurring, there is no guarantee that the measures will be effective. If the measures fail and fraud or illegal activities take place, the Group may be subject to lawsuits for failure to comply with regulations and be ordered to pay such penalties as prescribed by the court if found to be in violation. Thus, the occurrence of fraud or illegal activities may cause a material adverse effect on the Group's business, reputation, financial condition and results of operations.

Corruption and Anti-Bribery Law Violations

The Group's business is subject to Canadian laws, as well as any other applicable domestic or foreign anti-corruption or anti-bribery laws to which the Group is or may become subject, which generally prohibit companies and employees from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. In addition, the Group is subject to the anti-bribery laws of any other countries in which it conducts business now or in the future. The Group's employees or other agents may, without its knowledge and despite its efforts, engage in prohibited conduct under the Group's policies and procedures and anti-bribery laws for which the Group may be held responsible. The Group's policies mandate compliance with these anti-corruption and anti-bribery laws. However, there can be no assurance that the Group's internal control policies and procedures will always protect it from recklessness, fraudulent behaviour, dishonesty or other inappropriate acts committed by its affiliates, employees, contractors or agents. If the Group's employees or other agents are found to have engaged in such practices, the Group could suffer severe penalties and other consequences that may have a material adverse effect on its business, reputation, financial condition and results of operations.

Intellectual Property

The Group uses intellectual property protections such as trademarks, trade secrets and contractual confidentiality obligations in order to protect its products, brands and technologies. The administrative task of maintaining such protections across multiple jurisdictions can result in high costs to the Group. The Group would also be required to pay for any costs attributed to the enforcement of intellectual property protections. In addition, in any infringement proceeding, some or all of the Group's intellectual property rights or other proprietary know-how, may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defense proceedings could create the risk of invalidation or narrow interpretation of the Group's affected intellectual property rights. Such results could cause a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Furthermore, the possession of intellectual property protections does not completely eliminate the risk of litigation. Even with such protections properly registered, the Group is still vulnerable to infringement claims and would be liable for the costs of defending such claims. If the claims succeed, the Group would be liable for the costs of the resulting court orders and may need to negotiate licensing of the intellectual property rights from third-party owners.

In addition, despite any intellectual property protections in place, unauthorized parties may attempt to replicate or otherwise obtain and use the Group's trademarks, know-how, trade secrets, products or technology. Identifying unauthorized use of intellectual property rights is difficult as the Group may be unable to effectively monitor and evaluate the products being distributed by its competitors, including parties such as illegal distributers, and the processes used to produce such products. The Group makes no assurance that it will successfully identify unauthorized replication, acquisition or use of the Group's trademarks, know-how, trade secrets, products, or technology before the effects of such actions cause a material adverse effect on the Group's business, financial condition, results of operation and prospects.

CSE and NASDAQ Continued Listing Requirements

The Common Shares and Warrants began trading on the CSE on November 5, 2019 and November 19, 2019, respectively. The Common Shares began trading on NASDAQ on March 1, 2021.

The Company is subject to the rules and regulations of NASDAQ and the CSE. Further, in order to maintain compliance with all continued listing requirements, the Company pays legal, accounting and compliance fees to advisors and regulatory organizations and will have to continue to pay additional fees if its Common Shares remain listed on NASDAQ. Any changes to rules, regulations policies or guidelines issued by regulatory authorities may impact any such fees paid and increase the risk of non-compliance. There is no assurance that the Company will be able to comply with the applicable NASDAQ or CSE continued listing standards within any projected timeframes, or at all, and maintain listing status on either NASDAQ or CSE.

Any failure to comply with applicable continued listing requirements and regulations may result in the delisting of the Company's Common Shares and/or Warrants from the CSE and/or the Company's Common Shares from NASDAQ. Such events may have material adverse effects on the Company's business and financial condition.

Significant Sales of Listed Securities

Sales of a substantial number of Common Shares or other equity-related securities in the public markets by the Company or its shareholders could depress the market price of the Company's securities and impair the Company's ability to raise capital through the sale of additional equity securities. The Company cannot predict the effect that future sales of Common Shares or other equity-related securities would have on the market price of the Common Shares. The price of the Common Shares could be affected by possible sales of the Common Shares by hedging or arbitrage trading activity.

Dilution

The Company may issue additional securities in the future, which may dilute a shareholder's holdings, or a holder of a convertible security's underlying relative interest, in the Company. The Company's articles permit the issuance of an unlimited number of Common Shares, and shareholders will have no pre-emptive rights in connection with any such further issuance. The directors of the Company have discretion to determine the price and the terms of further issuances, subject to applicable stock exchange policies. Moreover, additional Common Shares will be issued by the Company on the full exercise of Options, Broker Compensation Options, RSUs and Warrants, issued or to be issued by the Company in the future, and the exercise of any resulting convertible securities of such as applicable.

As of the date of this Annual Information Form, the issuances of Options are limited by the Option Cap. Subject to shareholder approval, the Option Cap may be increased to a higher percentage of Common Shares issued and outstanding. As a result, additional dilution may occur if more options are issued under an increased Option Cap.

Additionally, on March 31, 2021, the Company filed the Final Shelf Prospectus, which allows the Company to offer for sale up to US$250,000,000 in Qualified Securities of the Company for an effective period of 25 months. Any issuances of Qualified Securities under a supplement to the Final Shelf Prospectus may dilute a shareholder's holdings or a holder of a convertible security's underlying relative interest, in the Company.

Holding Company Status

IMCC is a holding company. Substantially all of the Company's operating assets are the capital stock of its subsidiaries and arrangements with investees. Substantially all of the Company's business is conducted through subsidiaries or investees, which are separate legal entities. Consequently, the Company's cash flows and ability to pursue future business and expansion opportunities are dependent on the earnings of its subsidiaries and investees and the distribution of those earnings to the Company. The ability of these entities 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 the Company's 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 the Company.

Dividends

The Company has not paid any dividends on the outstanding Common Shares, and the Company maintains no current intention to declare dividends on the Common Shares in the foreseeable future. Any decision to pay dividends on the Common Shares in the future will be at the discretion of the Board and will depend on, among other things, the Company's results of operations, current and anticipated cash requirements and surplus, financial condition, any future contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law and other factors that the Board may deem relevant.

Securities Price Volatility

The market price of the Common Shares and Warrants may fluctuate to a wide degree as a result of a number of factors, including without limitation market conditions, financial analyst predictions, changes in law, press releases and public filings of the Company, operational activity and results and competitor activity. In particular, the dual-listing of the Common Shares on the CSE and the NASDAQ may result in higher volatility as a result of the exposure to both U.S. and Canadian financial market conditions. Overall, such factors, whether related or unrelated to operational performance of the Company, may cause a temporary or non-temporary negative pressure on prices of the Company's securities or assets. If the negative pressure on prices arising from these factors persist, impairment losses may be recorded and the Company could experience a material adverse effect on its operations, financial condition and operating results.

Internal Controls

Effective internal controls are required for the Company to provide reasonable assurance that its financial results and other financial information are accurate and reliable. Any failure to design, develop or maintain effective controls, or difficulties encountered in implementing, improving or remediation lapses in internal controls may affect the Company's ability to prevent fraud, detect material misstatements, and fulfill our reporting obligations. As a result, investors may lose confidence in the Company's ability to report timely, accurate and reliable financial and other information, which may expose the Company to certain legal or regulatory actions, thus negatively impacting its business and financial condition, including the liquidity and/or market value of its securities.

Liquidity of Securities

Despite the listing of the Common Shares and Warrants on public exchanges, there is no guarantee to security holders that the securities will be sufficiently liquid to any degree without a substantial decrease in price, particularly if selling significant quantities within a short time frame. Accordingly, there is a possibility that a lack of liquidity may cause difficulty for security holders to re-sell securities at desired prices.

Credit Risk

The Group may be owed current or long-term debts such as accounts receivables over the course of its operations. As a result, the Group may be exposed to the risk of debtor defaults on payments as they come due. The Company makes no guarantee on the level of credit risk that it will hold at any given time but intends to minimize this risk as determined by the Board.

Liquidity Risk

The Group is subject to the inherent risk that it will not be able to pay its financial obligations as they become due. In light of its recent negative cash flows, the Company intends to monitor liquidity risk carefully and plan its liquid holdings strategically to avoid any payment defaults.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes exchange rate risk and interest rate risk.

Exchange rate risk is the risk of loss arising from changes to foreign exchange rates. As the Group is a party to certain international contracts that require the Group to make or receive payments in foreign currencies, there is a risk that losses will be incurred if there is an adverse shift in exchange rates.

Interest rate risk pertains to the risk of loss arising from changes in prevailing interest rates. Any increases in prevailing interest rates may increase interest expenses paid by the Group on any long-term debt.

Global Economy Risk

An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult. The Company will be dependent upon the capital markets to raise additional financing in the future, while it continues to develop its operations. As such, the Company is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on the Company's operations and the trading price of the Company's securities.

Future crises may be precipitated by any number of causes, including natural disasters, public health crises, geopolitical instability, war, natural disasters, changes to energy prices or sovereign defaults. These factors may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favorable to the Company. Increased levels of volatility and market turmoil can adversely impact the Group's operations and the value, and the price of the Common Shares and/or Warrants could be adversely affected.

In addition, there is a risk that one or more of the Group's current service providers may themselves be adversely impacted by difficult economic circumstances, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Sufficiency of Insurance

The Group maintains various types of insurance which may include product liability insurance (see " *Potential Product Liability*" below), errors and omission insurance, directors and officers insurance, trustees' insurance, property coverage and general commercial insurance. There is no assurance that claims will not exceed the limits of available coverage, that any insurer will remain solvent or willing to continue providing insurance coverage with sufficient limits or at a reasonable cost; or, that any insurer will not dispute coverage of certain claims due to ambiguities in the policies. A judgment against any member of the Group in excess of available coverage could have a material adverse effect on the Group in terms of damages awarded and negatively impact the reputation of the Group.

Uninsured or Uninsurable Risks

The insurance purchased by the Group cannot cover all risks that the Group is exposed to. Additionally, some insurance policies are outside of budget limitations and are therefore elected to be excluded. There is no guarantee that any insurance coverage maintained by any member(s) of the Group will sufficiently cover any or all liabilities incurred by that Group member. Any uninsured amounts of liabilities incurred by member(s) of the Group may be paid directly by such members. Accordingly, such direct payments may have a material adverse effect on the Group's business, results of operations, and financial condition.

Potential Product Liability

TJAC, MYM, Focus, Adjupharm and the Israeli Licensed Companies are producers and/or distributors and/or sellers of products designed to be ingested or inhaled by humans. Such products face an inherent risk of exposure to product liability claims, regulatory action and litigation if such products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of such products involve the risk of injury or loss to consumers or patients due to tampering by unauthorized third parties, product contamination, unauthorized use by consumers or patients or other third parties. Previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could occur.

The Group may be subject to various product liability claims, including, among others, that products manufactured, distributed, stored or sold by the Group or bearing one of the Group's brands caused injury, illness or loss, 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 the Group could result in increased costs, could adversely affect the Group's reputation with its clients, patients and consumers generally, and could have a material adverse effect on the Group's results of operations and financial condition.

There can be no assurances that the Group 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 the Group's products.

Current and Potential General Litigation

Certain members and/or representatives of the Group are parties to certain legal proceedings or investigations, including the Construction Allegations and Proceedings, the MOH Allegations and certain legal proceedings as described in "*Legal Proceedings and Regulatory Actions – Legal Proceedings*" below. Should such Group members and/or representatives fail to receive favorable decisions at the conclusion of these legal proceedings or incur significant costs in litigation thereof, the Group's business, financial condition or operating results may be subject to a material adverse effect.

Members and/or representatives of the Group are or may become parties to litigation from time to time in the ordinary course of business that could adversely affect its business. Should any litigation in which the Group members and/or representatives become involved be determined against such Group members and/or representatives, such a decision could adversely affect the Group's ability to continue operating and the market price for the Common Shares and/or Warrants. Even if such Group members and/or representatives are involved in litigation and win, the litigation process can consume significant resources of the Group.

Quality Control Systems

The quality and safety of the Group's products and products purchased from third party suppliers are critical to the success of the Group's business and operations. As such, it is imperative that the Group's (and its service providers') quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality training program, and adherence by employees to quality control guidelines. Although the Group strives to ensure that it and all of its service providers have implemented and adhere to high calibre quality control systems, the Group could experience a significant failure or deterioration of such quality control systems. A failure of the Group's quality control systems could result in significant costs incurred in replacing, destroying or repurposing defective inventory, providing replacement products to its customers or recalling such products. The Group may be unable to meet customer demand and may lose customers who have to purchase alternative brands or products. In addition, consumers may lose confidence in the Group's brands whether affected or not and such brand reputation may be materially damaged. Any loss of sales volume from a contamination event may affect the Group's ability to fulfill its contractual obligations. During this time, the Group's competitors may benefit from an increased market share that could be difficult and costly to regain.

Potential Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If products are recalled due to an alleged product defect or for any other reason, the Group could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall.

The Group 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.

Although the Group has detailed procedures in place for testing finished products, 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 the Group's significant brands were subject to recall, the image of that brand and the Group could be harmed. A recall for any one of the foregoing reasons could lead to decreased demand for the Group's products and could have a material adverse effect on the results of operations and financial condition of the Group. Additionally, product recalls may lead to increased scrutiny of the Group's operations by the applicable regulatory body, including but not limited to Health Canada, MOH or BfArM or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Difficulty in Forecasts

The Group's sales forecasts are largely dependent on the Group's own market research. There is no assurance pertaining to the accuracy of the Group's predictions regarding the cannabis industry. Any assumptions made in producing forecasts may be inaccurate as a result of external factors that are unpredictable to the Group. Such inaccuracies could have a material adverse effect on the Group's business, financial condition and results of operations.

Catastrophic Events, Natural Disasters, Severe Weather and Disease

The Group's business may be negatively impacted by a number of events that are beyond its control, including cyber-attacks, energy blackouts, pandemics, terrorist attacks, acts of war, earthquakes, hurricanes, tornados, fires, floods, ice storms or other catastrophic events. Further, the Group relies on certain suppliers and distribution partners whose businesses may be impacted by the occurrence of any of the foregoing events. Catastrophic events can evolve rapidly and their impacts can be difficult to predict. There can be no assurance that the occurrence of a catastrophic event or the associated consequences will not disrupt the Group's operations, ability to carry on business or supply and distribution chains. In addition, liquidity and volatility, credit availability, market and financial conditions and cannabis cultivation, supply and distribution conditions, among other critical factors to the Group's business, could change at any time as a result. These events and any associated consequences may cause a material adverse effect on the business, financial condition and results of operations of the Group. A catastrophic event, including an outbreak of infectious disease, a pandemic or a similar health threat, such as the COVID-19 pandemic, or fear of any of the foregoing, could adversely impact the Group and its ability to maintain normal operations. Although the Group has taken proactive measures throughout the COVID-19 pandemic to protect the health and safety of its employees, to continue delivering high quality cannabis products to patients and to maintain its balance sheet, the current global uncertainty with respect to the spread of the COVID-19, the rapidly evolving nature of the pandemic and local and international developments related thereto and its effect on the broader global economy and capital markets may impact the Group's business in the coming months.

Anti-Money Laundering Laws and Regulation Risks

The Group is subject to a variety of laws and regulations domestically and internationally that involve money laundering, financial recordkeeping and proceeds of crime, including the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, the *Criminal Code* (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities internationally. In the event that any of the Group's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments were found to be contrary to money laundering legislation, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends in the foreseeable future, in the event that Company determines to declare or pay dividends but a determination was made that the investments in Company's investees could reasonably be shown to constitute proceeds of crime, the Company may subsequently decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Security over Underlying Assets

There is no guarantee that the Group will be able to effectively enforce any guarantees, indemnities or other security interests it may have. Should a bankruptcy or other similar event occur that precludes an investee from performing its obligations under an agreement with any member of the Group, the Group would have to enforce its security interest. In the event that the investee has insufficient assets to pay its liabilities, it is possible that other liabilities will be satisfied prior to the liabilities owed to the Group. In addition, bankruptcy or other similar proceedings are often a complex, lengthy and expensive process, the outcome of which may be uncertain and could result in a material adverse effect on the Company.

If the Group is unable to enforce its security interests due to any reasons including regulatory reasons related to its cannabis activity, there may be a material adverse effect on the Group.

Conflicts of Interest

The Company may be subject to various potential conflicts of interest because of the fact that some of its officers and directors may be engaged in a range of business activities. In some cases, the executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company and its affairs, and that could adversely affect Company operations. These business interests could require significant time and attention of the Company's executive officers and directors. In addition, the Company may also become involved in other transactions which conflict with the interests of the Company's directors and officers who may from time to time deal with persons, firms, institutions or corporations with which the Company may be dealing, or which may be seeking investments similar to those the Company desires. The interests of these persons could conflict with the Company's interests.

In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, directors are required to act honestly, in good faith and in the Company's best interests.

Foreign Private Issuer Status under U.S. Securities Laws

The Company is a "foreign private issuer", as defined in Rule 405 under the U.S. Securities Act of 1933, as amended (the " **U.S. Securities Act**"), and Rule 3b-4 under the U.S. Securities and Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"). It is therefore not subject to the same requirements that are imposed upon U.S. domestic issuers by the SEC. Under the U.S. Exchange Act, the Company is subject to reporting obligations that, in certain respects, are less detailed and less frequent than those of U.S. domestic reporting companies. As a result, the Company does not file the same reports that a U.S. domestic issuer would file with the SEC, although the Company is required to file with or furnish to the SEC the continuous disclosure documents that it is required to file in Canada under Canadian securities laws. In addition, the Company's officers, directors, and principal shareholders are exempt from the reporting and short-swing profit recovery provisions of Section 16 of the Exchange Act. Therefore, the Company's shareholders may not know on as timely a basis when the Company's officers, directors and principal shareholders purchase or sell Common Shares, as the reporting periods under the corresponding Canadian insider reporting requirements are longer.

As a foreign private issuer, the Company is exempt from the rules and regulations under the Exchange Act related to the furnishing and content of proxy statements. The Company is also exempt from Regulation FD, which prohibits issuers from making selective disclosures of material non-public information. While the Company complies with the corresponding requirements relating to proxy statements and disclosure of material non-public information under Canadian securities laws, these requirements differ from those under the Exchange Act and Regulation FD and shareholders should not expect to receive the same information at the same time as such information is provided by U.S. domestic companies. In addition, the Company may not be required under the Exchange Act to file annual and quarterly reports with the SEC as promptly as U.S. domestic companies whose securities are registered under the Exchange Act.

In addition, as a foreign private issuer, the Company has the option to follow certain Canadian corporate governance practices, except to the extent that such laws would be contrary to U.S. securities laws, and provided that the Company disclose the requirements it is not following and describe the Canadian practices it follows instead. The Company may in the future elect to follow home country practices in Canada with regard to certain corporate governance matters. As a result, the Company's shareholders may not have the same protections afforded to shareholders of U.S. domestic companies that are subject to all corporate governance requirements.

Loss of Foreign Private Issuer Status under U.S. Securities Laws

In order to maintain its status as a foreign private issuer, a majority of the Company's Common Shares must be either directly or indirectly owned by non-residents of the U.S. unless the Company also satisfies one of the additional requirements necessary to preserve this status. The Company may in the future lose its foreign private issuer status if a majority of its Common Shares are held in the U.S. and if the Company fails to meet the additional requirements necessary to avoid loss of its foreign private issuer status. The regulatory and compliance costs under U.S. federal securities laws as a U.S. domestic issuer may be significantly more than the costs incurred as a Canadian foreign private issuer eligible to use MJDS. If the Company is not a foreign private issuer, it would not be eligible to use the MJDS or other foreign issuer forms and would be required to file periodic and current reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. In addition, the Company may lose the ability to rely upon exemptions from NASDAQ corporate governance requirements that are available to foreign private issuers.

Emerging Growth Company Status under U.S. Securities Laws

The Company is an "emerging growth company" as defined in section 3(a) of the Exchange Act (as amended by the JOBS Act, enacted on April 5, 2012), and the Company will continue to qualify as an emerging growth company until the earliest to occur of: (a) the last day of the fiscal year during which the Company has total annual gross revenues of US$1,070,000,000 (as such amount is indexed for inflation every five years by the SEC) or more; (b) the last day of the fiscal year of the Company following the fifth anniversary of the date of the first sale of common equity securities of the Company pursuant to an effective registration statement under the U.S. Securities Act; (c) the date on which the Company has, during the previous three year period, issued more than US$1,000,000,000 in non-convertible debt; and (d) the date on which the Company is deemed to be a "large accelerated filer", as defined in Rule 12b–2 under the Exchange Act. The Company will qualify as a large accelerated filer (and would cease to be an emerging growth company) at such time when on the last business day of its second fiscal quarter of such year the aggregate worldwide market value of its common equity held by non-affiliates will be US$700,000,000 or more.

For so long as the Company remains an emerging growth company, it is permitted to and intends to rely upon exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. The Company cannot predict whether investors will find the Common Shares less attractive because the Company relies upon certain of these exemptions. If some investors find the Common Shares less attractive as a result, there may be a less active trading market for the Common Shares and the Common Share price may be more volatile. On the other hand, if the Company no longer qualifies as an emerging growth company, the Company would be required to divert additional management time and attention from the Company's development and other business activities and incur increased legal and financial costs to comply with the additional associated reporting requirements, which could negatively impact the Company's business, financial condition and results of operations.

DIVIDENDS

As of the date of this Annual Information Form, the Company has not declared dividends on its Common Shares and has no intention to declare dividends on its Common Shares in the immediate or foreseeable future. There are no restrictions in the Company's articles or by-laws that prevent the Company from paying dividends. Any future dividends declared will made at the discretion of the Board and will depend on circumstances at the time of contemplation, including financial status of the Company, contractual or regulatory obligations, and other conditions existing at such future time.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The authorized capital of the Company consists of an unlimited number of Common Shares issuable in series, which may contain the rights, privileges and restrictions as determined by the Board. Holders of Common Shares are entitled to dividends, if, as and when declared by the Board, to one vote per share at meetings of shareholders of the Company and, upon dissolution, to share equally in such assets of the Company as are distributable to the holders of Common Shares.

There are 69,690,151 Common Shares issued and outstanding as of the date of this Annual Information Form.

Warrants

In connection with the Reverse Takeover Transaction, and prior to the Consolidation, the Company issued an aggregate of 9,730,258 2019 Listed Warrants. Following the Consolidation, the 2019 Listed Warrants were adjusted to require four 2019 Listed Warrants to be exercised for one Common Share at an adjusted exercise price of $5.20. The 2019 Listed Warrants were listed on the CSE under the symbol "IMCC.WT" until their expiry on October 11, 2021.

Certain 2019 Unlisted Warrants are outstanding and issuable upon exercise of 2019 Broker Compensation Options. Following the Consolidation, the 2019 Unlisted Warrants were adjusted to require four 2019 Unlisted Warrants to be exercised for one Common Share at an adjusted exercise price of $5.20. All 2019 Unlisted Warrants expire on August 30, 2022 and are not listed for trading on any stock exchange. As of the date of this Annual Information Form, there are 134,924 2019 Unlisted Warrants outstanding.

As part of the 2021 Offering, the Company issued a total of 3,043,478 2021 Offered Warrants to the purchasers of the 2021 Offered Shares. Each 2021 Warrant is exercisable for one Common Share at an exercise price of US$7.20. The 2021 Offered Warrants expire on May 7, 2026. As of the date of this Annual Information Form, there are 3,043,478 2021 Offered Warrants outstanding.

Broker Compensation Options

In connection with the Reverse Takeover Transaction, and prior to the Consolidation, the Company issued to the agents who acted on its behalf a total of 1,199,326 2019 Broker Compensation Options. Following the Consolidation, the 2019 Broker Compensation Options were adjusted to require four 2019 Broker Compensation Options to be exercised for one underlying unit at an adjusted exercise price of $4.20, with each unit exercisable into one Common Share and one-half of one 2019 Unlisted Warrant. The 2019 Broker Compensation Options expire on August 30, 2022. As of the date of this Annual Information Form, there are 539,488 2019 Broker Compensation Options.

In connection with the 2021 Offering, the Company issued to the agents who acted on its behalf a total of 182,609 2021 Broker Compensation Options. The 2021 Broker Compensation Options expire on November 5, 2024. As of the date of this Annual Information Form, there are 182,609 2021 Broker Compensation Options outstanding.

Incentive Stock Options

On July 28, 2021, the shareholders approved the 2021 Stock Option Plan at the Company's annual general meeting. All Options granted by the Company following the date of such approval are governed by the 2021 Stock Option Plan.

The maximum number of Common Shares that may be reserved for issuance under the 2021 Stock Option Plan and any other security based compensation arrangements (such as the RSU Plan and the Predecessor Stock Option Plan) is 10% of the issued and outstanding Common Shares, on a non-diluted basis, on each date of grant (the "**Option Cap**").

All Options granted by the Company prior to July 28, 2021, are governed by the Predecessor Stock Option Plan. The 2021 Stock Option Plan has replaced the Predecessor Stock Option Plan and no additional Options will be issued under the Predecessor Stock Option Plan. As at the date of this Annual Information Form, the Company had an aggregate of 4,639,431 Options outstanding.

Restricted Share Units

On December 16, 2020, the Company's shareholders approved a "rolling" restricted share unit plan (" **RSU Plan**") whereby the Company may issue RSUs. The maximum number of Common Shares that may be reserved for issuance under the RSU Plan and any other security based compensation arrangements (such as the 2021 Stock Option Plan and the Predecessor Stock Option Plan) is 10% of the issued and outstanding Common Shares, on a non-diluted basis, on each date of grant. The RSU Plan supplements the 2021 Stock Option Plan by providing the Board with an alternative to issuing Options if it determines that a full value share plan provides an attractive form of long-term incentive for key personnel.

As of the date of this Annual Information Form, the Company had an aggregate of 550,000 RSUs outstanding.

MARKET FOR SECURITIES

Trading Price nd Volume

Common Shares

The Common Shares have been listed for trading under the symbol "IMCC" on the CSE since November 5, 2019, following the completion of the Reverse Takeover Transaction, and on the NASDAQ since March 1, 2021. The chart below sets forth the reported high and low prices and the monthly trading volume history of the Common Shares on the CSE for the financial year ended December 31, 2021.

Common Share Historic Trading Prices and Volumes			
Month	**High (CAD)**	**Low (CAD)**	**Volume**
December 2021	$6.00	$3.86	751,097
November 2021	$5.65	$2.84	1,818,757
October 2021	$4.75	$3.34	725,118
September 2021	$4.83	$3.39	790,694
August 2021	$6.49	$4.31	463,233
July 2021	$6.71	$5.76	695,807
June 2021	$7.60	$5.15	1,314,235
May 2021	$8.31	$4.84	990,498
April 2021	$10.00	$6.14	940,921
March 2021	$14.40	$8.72	863,987
February 12-28, 2021 (1)	$12.00	$8.51	268,791
February 1-11, 2021	$3.00	$2.21	1,263,989
January 2021	$2.85	$2.32	812,869

Notes:

(1) The Company effected the Consolidation as of February 12, 2021.

Warrants

The 2019 Listed Warrants were listed for trading on the CSE under the symbol "IMCC.WT" until their expiry date of October 11, 2021. The below trading information chart sets out the monthly trading history of the 2019 Listed Warrants on the CSE for the financial year ended December 31, 2021.

Listed Warrants Historic Trading Prices and Volumes			
Month	**High (CAD)**	**Low (CAD)**	**Share Volume**
October 1 to October 11, 2021	$0.01	$0.005	250,258
September 2021	$0.15	$0.01	321,047
August 2021	$0.56	$0.15	52,000
July 2021	$0.45	$0.15	26,762
June 2021	$0.45	$0.30	53,220
May 2021	$0.38	$0.37	20,880
April 2021	$1.01	$0.38	10,325
March 2021	$1.80	$1.01	70,302
February 2021	$4.20	$1.10	155,687
January 2021	$1.70	$1.00	83,518

Prior Sales

The table below summarizes details of securities of the Company that were not listed or quoted on a marketplace and issued by the Company during the financial year ended December 31, 2021. For a list of all outstanding options granted as of the date of this Annual Information Form, please see "*Description of Capital Structure – Options*" above.

Prior Sales of Unlisted or Unquoted Securities			
Date of Issuance	**Security**	**Issuance/Exercise Price Per Security (CAD)**(1)	**Number of Securities**(1)
January 7, 2021	2019 Unlisted Warrants(1)(2)	5.20	16,864
February 8, 2021	Options(1)(3)	10.00	5,500
February 23, 2021	2019 Unlisted Warrants(2)(4)	5.20	7,838
March 18, 2021	Options(5)	10.02	700,000
May 7, 2021	2021 Offered Warrants(6)	US$7.20	3,043,478
May 7, 2021	2021 Broker Compensation Options(7)	US$6.61	182,609
May 19, 2021	Options(8)	5.87	1,471,465
May 19, 2021	RSUs(9)	-	550,000
July 9, 2021	Options(10)	34.55	19,800
September 27, 2021	Options(11)	4.50	29,000
December 20, 2021	2019 Unlisted Warrants(2)(12)	5.20	16,865
December 27, 2021	Options(13)	4.62	8,500

Notes:

(1) Figures are reported on a post-Consolidation basis. Following the Consolidation, all Options outstanding issued prior to February 12, 2021 were consolidated on the basis of four (4) pre-Consolidation Options to one (1) post-Consolidation Option (a "**Post-Consolidation Option**"), with respective exercise prices adjusted by a factor of four (4). Each Post-Consolidation Option is exercisable for one Common Share at the adjusted exercise price. All 2019 Listed Warrants, 2019 Broker Compensation Options and 2019 Unlisted Warrants were adjusted such that four of each respective security was required to acquire one post-Consolidation Common Share.

(2) During the financial year ended December 31, 2021, the Company issued an aggregate of 166,272 2019 Unlisted Warrants pursuant to exercises of 2019 Broker Compensation Options. Each 2019 Unlisted Warrant is exercisable at the exercise price until August 30, 2022.

(3) Each Option is exercisable at the exercise price for one Common Share and expires on February 8, 2026. As of the date of this Annual Information Form, all 5,500 of these Options, remain outstanding.

(4) Issued as a result of a 2019 Broker Compensation Option exercise on February 23, 2021 and immediately exercised into Common Shares.

(5) Each Option is exercisable at the exercise price for one Common Share and expires on March 18, 2026. As of the date of this Annual Information Form, 675,000 of these Options remain outstanding.

(6) Issued in connection of the 2021 Offering. Each 2021 Offered Warrant exercisable at the exercise price for one Common Share and expires on May 7, 2026.

(7) Issued in connection with the 2021 Offering. Each 2021 Broker Compensation Option is exercisable at the exercise price for one Common Share, at any time following November 5, 2021 until November 5, 2024.

(8) Each Option is exercisable at the exercise price for one Common Share and expires on May 19, 2026. As of the date of this Annual Information Form, 1,466,215 of these Options remain outstanding.

(9) Each RSU entitles it holder to receive: (i) one Common Share; or (ii) a cash payment calculated under the terms of the RSU Plan; or (iii) a combination of (i) and (ii), as determined by the Board in its sole discretion, on the date when the RSU granted is fully vested.

(10) Each Option is exercisable at the exercise price for one Common Share. 16,500 of the Options granted on July 9, 2021 expired on February 11, 2022; however as the Company was in a quarterly blackout period on February 11, 2022, these Options may be exercised for a period following the end of such quarterly blackout. 3,300 Options granted on July 9, 2021 expire on September 27, 2022.

(11) Each Option is exercisable at the exercise price for one Common Share and expires on September 27, 2026. As of the date of this Annual Information Form, 24,000 of these Options, remain outstanding.

(12) Issued as a result of a 2019 Broker Compensation Option exercise on December 20, 2021.

(13) Each Option is exercisable at the exercise price for one Common Share and expires on December 27, 2026. As of the date of this Annual Information Form, 8,500 of these Options remain outstanding.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

As of December 31, 2020, none of the Company's securities of any class are subject to a contractual restriction or are being held in escrow.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets out the name, province or state, and country of residence, positions and offices held with the Company, the period during which each director has served as a director and the principal occupations of each of the directors and executive officers as of the date hereof. Directors of the Company hold office until the next annual meeting of shareholders or until their successors are duly elected or appointed, unless his office is earlier vacated in accordance with the Company's articles or by-laws:

Director and Executive Officer Information			
Name and Residence	**Office with Company**	**Principal Occupation and Positions Held During the Last 5 Years**	**Number and Percentage of Common Shares Owned, Beneficially Held or Controlled(1)(2)(3)**
Oren Shuster(6) *Ra'anana, Israel*	Chief Executive Officer and Director since October 2019	CEO of IMC Holdings since 2018 to 2022; founder of Ewave Group Ltd. since 1999.	9,135,137(7) (13.10%)
Shai Shemesh *Petach-Tikva, Israel*	Chief Financial Officer since October 2019	CFO of IMC Holdings since 2019; CFO of Sadyt Israel and IVM Minrav-Sadyt from 2011 to 2019.	11,905 (<1%)
Yael Harrosh *Tel Aviv, Israel*	Chief Legal and Operations Officer as of January 2022; General Counsel and Corporate Secretary from October 2019 to January 2022	General Counsel, Corporate Secretary and Business and Compliance Manager of IMC Holdings since 2018; Legal Counsel and Deputy CEO at ProMarket Group from 2016 to 2018; Advocate at AYR Law Firm, Israel from 2015 to 2016.	Nil
Haleli Barath(4)(5) *Tel Aviv, Israel*	Director since February 2021	Partner of Bfp & Co. since 2009.	166,682 (<1%)
Vivian Bercovici (4)(5)(6) *Tel Aviv, Israel*	Director since March 2020	Independent consultant and columnist, Managing Director, Europe and Israel at Nuuvera Inc. from 2017 to 2018; Canadian Ambassador to Israel from 2014 to 2016.	19,980 (<1%)
Brian Schinderle(4)(5) *Illinois, USA*	Director since February 2021	Founder and Manager of Solidum Capital Advisors LLC since 2017; EVP-Finance of GR Companies Inc., (DBA Grassroots Cannabis) from 2018 to 2020; Portfolio Manager of Balyasny Asset Management from 2009 to 2017.	Nil
Marc Lustig (6) *West Vancouver, British Columbia*	Director since October 2019, Executive Chairman since December 2020 and Chairman from October 2019 to December 2020	Director of Pharmacielo Ltd. since November 2020; Director of Cresco Labs Inc. since June 2020; Director of Trichome Financial Corp. since October 2019; Founder, Chairman and Chief Executive Officer of CannaRoyalty Corp. (dba Origin House) from 2016 to 2020.	833,508 (1.19%)

Notes:

(1) Assumes 69,690,151 Common Shares issued and outstanding.

(2) Does not include the 8,067,825 Common Shares issuable on the full exercise of 4,639,431 outstanding Options, 67,435 outstanding 2019 Unlisted Warrants, 3,043,478 2021 Offered Warrants, 182,609 2021 Broker Compensation Options, and 134,872 2019 Broker Compensation Options, including the Common Shares issuable upon exercise of the underlying 2019 Unlisted Warrants issued upon exercise of such 2019 Broker Compensation Options.

(3) As of the date hereof, all directors and executive officers noted above of the Company, as a group, beneficially own, directly or indirectly, or exercise control or direction over 10,147,232 Common Shares of the Company, representing 14.56% of the Company's outstanding Common Shares.

(4) Member of the Audit Committee.

(5) Member of the Compensation Committee.

(6) Member of the Governance and Nomination Committee.

(7) 9,133,602 shares are held directly by Oren Shuster and 1,535 shares are held by Ewave Group Ltd., an entity of which Mr. Shuster owns and controls 50% of the outstanding ordinary shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company is, as at the date of this Annual Information Form, or has been, within the 10 years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including the Company) that:

(a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer,

To the knowledge of the Company, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

(a) is, as at the date of this Annual Information Form, or has been within the 10 years before the date of the Annual Information Form, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To the knowledge of the Company, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

There are potential conflicts of interest to which the directors, officers and promoters of the Company will be subject with respect to the operations of the Company. Certain directors and/or officers serve as directors and/or officers of other companies or have significant shareholdings in other companies. Situations may arise where the directors, officers and promoters of the Company will be engaged in direct competition with the Company. Any conflicts of interest will be subject to and governed by the law applicable to directors and officers conflicts of interest, including the procedures prescribed by the BCBCA. The BCBCA requires that directors and officers of the Company, who are also directors or officers of a party which enters into a material contract with the Company or otherwise have a material interest in a material contract entered into by the Company, must disclose their interest and, in certain instances, refrain from voting on any resolution of the Company's directors to approve the contract.

PROMOTERS

Oren Shuster, CEO and director of the Company and Rafael Gabay, a former director of the Company, may be considered to be promoters because they founded and organized the business of IMC Holdings prior to the Reverse Takeover Transaction. Mr. Shuster is a resident of Ra'anana, Israel and controls 9,135,137 Common Shares, representing 13.1% of the issued and outstanding Common Shares on a non-diluted basis. Mr. Gabay is a resident of Ganot, Israel and controls 8,090,720 Common Shares, representing 11.6% of the issued and outstanding Common Shares on a non-diluted basis. 9,133,602 Common Shares and 8,089,185 Common Shares are held directly by Oren Shuster and Rafael Gabay, respectively, and 1,535 Common Shares are owned by Ewave Group Ltd., an entity which is jointly owned and controlled by Messrs. Shuster and Gabay.

Under the IMC Restructuring, IMC Holdings sold its interest in Focus to Messrs. Shuster and Gabay and retained options to re-acquire these entities pursuant to the Focus Agreement as described above in " *Corporate Structure – Intercorporate Relationships*".

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

Except for the proceedings disclosed below pertaining to Focus, there are no actual or pending material legal proceedings to which the Group or any of its subsidiaries or affiliates are a party or of which any of their assets are subject. Management of the Company is not aware of any such material legal proceedings contemplated.

Class Action T.Z. 35676-08-19 Tel Aviv - Jaffa District Court

On August 19, 2019, a Cannabis consumer (the "Applicant") filed a motion for approval of a class action to Tel Aviv - Jaffa District Court (the " **Motion**") against 17 companies (the "**Parties**") operating in the field of medical cannabis in Israel, including Focus. The Applicant's argument is that the Parties did not accurately mark the concentration of active ingredients in their products. The personal suit sum for each class member stands at NIS 15,585 and the total amount of the class action suit is estimated at NIS 685,740,000. On June 2, 2020, the Parties submitted their response to the Motion. The Parties argue in their response that the threshold conditions for approval of a class action were not met, since there is no reasonable possibility that the causes of action in the Motion will be decided in favor of the class group. On July 3, 2020 the Applicant submitted his response to the Parties' response. On July 5, 2020 the Applicant was absent from the hearing. As a result, on July 23, 2020 the Parties filed an application for a ruling of expenses which received a response from the Applicant on August 12, 2020, asking to decline this request. On September 29, 2020 the court ruled that the Applicant would pay the Parties' expenses amount of NIS 750. On July 14, 2021 a prehearing was held. The court recommended the parties negotiate independently to avoid litigation, and if negotiations fail, then to begin mediation proceedings. The parties agreed to follow the court's recommendations. Negotiations between the parties have not yet commenced. On November 3, 2021 the court ruled the parties will file an update regarding the mediation procedure, in 30 days. The parties conducted unsuccessful negotiations and are now waiting for a court decision regarding the continuation of the proceedings.

As of the date of this Annual Information Form, due to the current preliminary state of the litigation process and based on the opinion of legal counsel to Focus, the Company's management believes that it is not reasonably possible to assess the outcome of the proceeding.

Supreme Court of Justice 2335/19

On March 2019 a petition was filed to the Supreme Court of Israel by the Medical Cannabis Association against MOH regarding the new regulatory framework of the cannabis market (the " **Petition**"). Subsequently, additional 10 respondents joined the Petition.

On October 6, 2019, Focus received a decision regarding the Petition, concerning the new regulatory framework of the cannabis market and demanding that the court resolve as follows:

- that the MOH immediately suspend the implementation of the new regulation that harms, disproportionally, the medical cannabis patients;
- that the implementation of the new regulation, as is, would cause violation of constitutional rights of the medical cannabis patients; and
- that the MOH amends the flaws of the new regulation, prior to becoming effective, and to establish new regulations regarding labeling and use of pesticides.

The decision provided for an interim injunction, extending the validity of patient licenses until the earlier of March 31, 2020 or 10 days after the date the MOH reaches a conclusion regarding the price control of medical cannabis products.

According to the decision, Focus was attached to the proceedings as a respondent. Accordingly, Focus filed its response to the petition on November 12, 2019.

On March 8, 2020, the court decided to extend the validity of the interim injunction, so that the medical cannabis use licenses, which were extended under the decision, would continue to be valid until May 15, 2020, or 10 days after the price committee's decision on the matter before it, whichever comes first, subject to another court decision.

The court also decided that if a further extension of the period of the interim injunction is granted beyond May 15, 2020, to the extent required, it would be subject to medical surveillance by the attending physician, the details of which were to be included in the patient's existing use license.

In light of several applications by the respondent represented by the state attorney's office, for extension to file updated notice to the court, the interim injunction was extended on July 30, 2020, until and subject to other decision of the court.

On October 29, 2020, the respondents represented by the state attorney's office filed an update notice stating that the appeals committee unanimously decided against imposing price controls on medical cannabis products and that the prices committee would hold a follow-up hearing in four months. The respondents also requested to update the court again in two months.

On November 25, 2020, the petitioner submitted their response to the respondents' update.

On March 25, 2021, the respondents represented by the State Attorney's Office filed an updating notice stating that the Prices Committee had come to a decision against imposing price controls on medical cannabis products. However, the Prices Committee announced that it will issue an RFI to the corporations engaged in the medical cannabis market and assess the market every six months. Following the aforementioned, the respondents represented by the State Attorney's Office believe that the appeal should be rejected and the interim injunction should be canceled. On April 13, 2021, three of the respondents filed a response to the court, requesting to reject the appeal and to cancel the interim injunction.

On April 25, 2021, the petitioner filed a response to the update notice from March 25, 2021, objecting to the position of the respondents represented by the State Attorney's Office, requesting the court to resolve as requested in the petition and grant the requested remedies to the petitioner. On July 6, 2021, the petitioner filed an urgent request to the court, to issue orders to the respondents represented by the State Attorney's Office, to request information from corporations engaged in the medical cannabis market in order to continue the examination of the market, according to the Prices Committee's announcement mentioned above, and requested the court reschedule the September 19, 2021 hearing date to an earlier date. The petitioner's request was rejected by the court on July 7, 2021, and on September 19, 2021, a hearing was held. On November 16, 2021 the court ruled the motion will delete, and the interim injunction will be cancelled in 10 days. Following a request submitted by the petitioner, on November 15, 2021 the court determined the interim injunction will extend until 1.3.22. Additional requests submitted for an extension of the interim order were denied.

Supreme Court of Justice 8249/2

On December 1, 2021 the Medical Cannabis Association filed a motion to Supreme Court of Justice of Israel for further hearing regarding the court ruling on 2335/19 as detailed above. The petitioner also submitted a request for an exemption from the obligation to pay a fee or deposit a deposit. On February 9, 2022 the petitioner submitted an urgent request for a ruling by the court as well as a request to extend the validity of the interim injunction, for at least three additional months. On February 24, 2022 the court overruled the request for a further hearing in the petition, as well as the request to extend the validity of the interim injunction.

Planning and Construction 66813-06-21 Beer Sheva Magistrate Court

On July 11, 2021 the Company was informed that on June 30, 2021, a claim was filed to Beer Sheva Magistrate Court (the " **Construction Proceedings**"), by the municipal committee presiding over planning and construction in southern Israel (the "Construction Committee") against Focus, Focus' directors and officers, including Oren Shuster and Rafael Gabay, and certain landowners, claiming for inadequate permitting for construction relating to the Focus Facility ("Construction Allegations").

On December 6, 2021 the defendants filed a motion Request for dismissal the indictment on the ground of defense of justice. The municipal committee filed her response and after that the defendants filed a response to the municipal committee's response. As of the date of this letter no decision has yet been made on the application.

A hearing was initially set to December 1, 2021 but has been postponed to June 13, 2022.

At this preliminary stage, based on the opinion of Focus' legal counsel, Company management cannot assess the chances of the claim advancing or the potential outcome of the Construction Proceedings.

COVID-19 Test Kits Claim

On November 19, 2021, Adjupharm filed a Statement of Claim (the "Claim") to the District Court of Stuttgart (the "Court") against Stroakmont & Atton Trading GmbH ("Stroakmont & Atton"), its shareholders and managing directors regarding a debt owed by Stroakmont & Atton to Adjupharm in an amount of approximately EUR 947,563 for COVID-19 test kits purchased by Stroakmont & Atton from Adjupharm in May 2021. The Claim was accepted on December 2, 2021. In January 2022, Stroakmont & Atton filed its Statement of Defence to the Court in which they essentially stated two main arguments for their defense:

1. They stated that the contractual partner of the Company is not the defendant, Stroakmont & Atton is not the real rather its is a company named Uniclaro GmbH.

2. They stated furthermore that the Company allegedly placed an order with Uniclaro GmbH for a total of 4.3 million Clongene Covid-19 tests, of which Uniclaro GmbH claims to have a payment claim against the Company for a partial delivery of 380,400 Clongene tests in the total amount of **EUR 941,897.20**. Uniclaro GmbH has assigned this alleged claim against the Company to Stroakmont & Atton Trading GmbH, and Stroakmont & Atton Trading GmbH has precautionary declared a **set-off** against the Company's claim.

On March 22, 2022 Adjupharm filed a response to Stroakmont & Atton's Statement of Defence and rejected both allegations with a variety of legal arguments and facts and also offered evidence to the contrary in the form of testimony from the witnesses in question.

The burden of proof for both allegations lies with the opponents and they offered evidences to the court in the form of testimony from certain witnesses. If the opponents succeed in proving both allegations to the court, the chances of winning the lawsuit will be considerably reduced. However, it will not be easy for the opponents to present evidence of these allegations.

The Regional Court of Stuttgart set the date for the conciliation hearing (*Güteverhandlung*) and the main hearing (*Hauptverhandlung*) for May 27, 2022.

Regulatory Actions

There have not been any penalties or sanctions imposed against the Company by a court relating to provincial or territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, and the Company has not entered into any settlement agreements before a court relating to provincial or territorial securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described below and otherwise disclosed in this Annual Information Form, to the Company's knowledge, no director or executive officer of the Company or any person or company that is the direct or indirect beneficial owners of, or who exercises control or direction over, more than 10% of any class of the Company's outstanding voting securities, or an associate or affiliate of any persons or companies referred to in this paragraph, has any material interest, direct or indirect, in any transaction within the financial years ended December 31, 2021, December 31, 2020, December 31, 2019 or as of the date of this Annual Information Form, or in any proposed transaction, that has materially affected or will materially affect the Company.

At the time of voting for the Trichome Transaction by the Company's board of directors, Marc Lustig, the executive chairman and a director of the Company, was also a director of Trichome. Accordingly, Mr. Lustig had a disclosable interest with respect to the Trichome Transaction and, in accordance with Canadian corporate law requirements, he declared the nature and extent of his interest in the Trichome Transaction and recused himself from consideration and voting on the Trichome Transaction as a director. As of the date of this Annual Information Form, Mr. Lustig continues to serve as executive chairman and director of the Company and as a director of Trichome.

At the time of voting for the MYM Transaction by the Company's board of directors, Howard Steinberg, a director of Trichome, was also a director of MYM. Accordingly, Mr. Steinberg had a disclosable interest with respect to the MYM Transaction and, in accordance with Canadian corporate law requirements, he declared the nature and extent of his interest in the MYM Transaction and recused himself from consideration and voting on the MYM Transaction as a director of Trichome. As of the date of this Annual Information Form, Mr. Steinberg serves as CEO of MYM, Highland and Sublime and is a director of Trichome.

TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc., located at 510 Burrard Street, 3rd Floor, Vancouver, British Columbia V6C 3B9. The United States co-transfer agent of the Company is Continental Stock Transfer & Trust Company, located at 1 State Street, 30th Floor, New York, NY 10004-1561.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts the Company or a subsidiary is a party to as the date of this Annual Information Form are the following:

1. the IP Agreement dated April 2, 2019 and as amended on January 1, 2021, between IMC Holdings and Focus, as further described in "*Corporate Structure – Intercorporate Relationships*";
2. the Services Agreement dated April 2, 2019 and as amended on January 1, 2021, between IMC Holdings and Focus, as further described in "*Corporate Structure – Intercorporate Relationships*";
3. the Focus Agreement dated April 2, 2019, between IMC Holdings, Oren Shuster and Rafael Gabay, as further described in "*Corporate Structure – Intercorporate Relationships*";
4. the arrangement agreement dated December 30, 2020, as subsequently amended on January 22, 2021 and March 14, 2021, between the Company and Trichome entered into in connection with the Trichome Transaction as further described in "*General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments During the Financial Year Ended December 31, 2021*"; and

5. the arrangement agreement dated March 31, 2021 between the Company, Trichome and MYM entered into in connection with the MYM Transaction, as further described in " *General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments During the Financial Year Ended December 31, 2021*";

6. the Agency Agreement dated May 5, 2021 with A.G.P./Alliance Global Partners and Roth Capital Partners, as further described in " *General Development of the Business – Developments Following the Reverse Takeover Transaction – Developments During the Financial Year Ended December 31, 2021*";

Copies of the above material contracts are available on the Company's SEDAR profile at www.sedar.com.

INTERESTS OF EXPERTS

Names of Experts

The following are the persons or companies who were named as having prepared or certified a statement, report, opinion or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 by the Company during, or relating to, the financial year ended December 31, 2021, and whose profession or business gives authority to the statement, report, valuation, or opinion made by the person or company:

The annual consolidated financial statements as of December 31, 2021, audited by Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, an independent registered public accounting firm, have been included in reliance on their report given on their authority as experts in accounting and auditing.

Interests of Experts

Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, have confirmed that they are independent with respect to the Company within the meaning of the U.S. Securities Act and the applicable rules and regulations thereunder adopted by the SEC and the Public Company Accounting Oversight Board (United States).

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The charter of the Company's Audit Committee is attached to this Annual Information Form as Schedule "A".

Composition of Audit Committee

As of the date of this Annual Information Form, the members of the Audit Committee are Haleli Barath, Brian Schinderle (Chair) and Vivian Bercovici, all of whom are "independent", and all of whom are "financially literate" as such terms are defined in NI 52-110.

Each of the Audit Committee members has an understanding of the accounting principles used to prepare the Company's financial statements, experience preparing, auditing, analyzing or evaluating comparable financial statements and experience as to the general application of relevant accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting.

The Audit Committee has the primary function of fulfilling its responsibilities in relation to reviewing the integrity of the Company's financial statements, financial disclosures and internal controls over financial reporting; monitoring the system of internal control; monitoring the Company's compliance with legal and regulatory requirements, selecting the external auditor for shareholder approval; reviewing the qualifications, independence and performance of the external auditor; and reviewing the qualifications, independence and performance of the Company's internal auditors. The Audit Committee has specific responsibilities relating to the Company's financial reports; the external auditor; the internal audit function; internal controls; regulatory reports and returns; legal or compliance matters that have a material impact on the Company; and the Company's whistleblowing procedures. In fulfilling its responsibilities, the Audit Committee meets regularly with the internal and external auditor and key management members. The full text of the Audit Committee's charter is disclosed in Appendix "A".

Relevant Experience and Education

Brian Schinderle

Mr. Schinderle is the Founder and Managing Partner of Solidum Capital Advisors LLC (" **Solidum**"). Solidum invests its own capital and works in a merchant banking and advisory capacity with a select group of companies in the cannabis sector. In addition, from 2018 to 2020, Mr. Schinderle served as Executive Vice President -Finance of GR Companies Inc. (dba Grassroots Cannabis) ("**Grassroots**"), focusing on finance, strategy, capital markets, investor relations, mergers and acquisitions. In July 2020, Grassroots merged with Curaleaf Holdings, Inc. (CSE: CURA) in a transaction valued at approximately US$850 million. Prior to forming Solidum in 2017, Mr. Schinderle spent over 20 years in investment management, primarily investing in fixed income and equity assets via hedge funds, private equity and discretely managed funds. Mr. Schinderle currently serves on the advisory boards of Altitude Investments Inc. and AIM PLC, Greenlight Cannabis and Curio Wellness.

Haleli Barath

Ms. Barath is the Co-founder and Senior Partner at BFP & Co., an Israel-based law firm. Ms. Barath has over 20 years' experience advising Israeli and international corporations on a wide range of sophisticated cross-border and domestic transactions. Ms. Barath advises Fortune 500 international corporations, funds and prominent early-stage start-ups and growth companies in Israel on a range of sectors including enterprise software, cybersecurity, fintech, biotech, cannabis and digital health and is an active partner in their development and growth. Ms. Barath is also the Co-founder and General Partner of Cerca Partners, a venture capital firm that invests in Israeli technology companies. Ms. Barath holds an LLB degree from the Hebrew University in Israel, is a member of the Israeli bar and lectures at universities and various business forums on topics ranging from corporate and business law to technology and regulatory matters.

Vivian Bercovici

Ms. Bercovici is a consultant to various medical cannabis and medical device entities regarding operational issues and market opportunities in Israel, Europe and Canada. In addition, Ms. Bercoviciis writing regularly for print media and also launching an independent publication in the coming months.From March 2017 to March 2018, Ms. Bercovici was the Managing Director, Israel and Europe operation at Nuuvera Inc., a Toronto-based medical cannabis company that was acquired by Aphria Inc. Also, Ms. Bercovici served as Canadian Ambassador to Israel from 2014 to 2016, having been appointed by then Prime Minister Stephen Harper. Ms. Bercovici has vast experience of over 20 years practicing law in Toronto, specializing in media defence and financial services regulatory law. Ms. Bercovici holds a Bachelor of Arts from York University, a Postgraduate Diploma in International Relations from the London School of Economics and Political Science and a Bachelor of Laws from the University of Toronto.

Audit Committee Oversight

At no time since the commencement of the financial year ended December 31, 2021 was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

At no time since the commencement of the financial year ended December 31, 2021 has the Company relied any of the exemptions set forth in Section 2.4, Section 3.2, Section 3.3(2), Section 3.4, Section 3.5, Section 3.6 or Section 3.8 of NI 52-110. The Corporation has also not relied on any exemptions from NI 52-110 granted under Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in Schedule "A" attached hereto.

External Auditor Service Fees (by Category)

Audit Fees

Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global are the Company's external auditors since January, 2020. The following table lists the aggregate fees paid or payable to all external auditors, by category, for the financial years ended December 31, 2021 and December 31, 2020:

	December 31, 2021(1)	**December 31, 2020**(1)
Audit fees(2)	$894	$239
Audit-related fees(3)	-	-
Tax fees(4)	$17	$4
All other fees(5)	-	-
Total fees	$911	$243

Notes:
(1) Amounts are stated in thousands USD.
(2) Audit fees consist of the aggregate fees billed for the audit or review of the Company's annual and quarterly financial statements that are normally provided in connection with statutory and regulatory filings or engagements.
(3) Audit-related fees consist of the aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported as audit fees.
(4) For tax compliance, tax advice and tax planning.
(5) For products and services other than the audit fees, audit-related fees and tax fees described above.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans are contained in the Company's information circular for its most recent annual meeting of shareholders held on July 28, 2021. Additional information is also provided in the Company's financial statements and MD&A for the financial year ended December 31, 2021.

SCHEDULE "A"

IM CANNABIS CORP.

AUDIT COMMITTEE CHARTER

PURPOSE OF THE COMMITTEE

The purpose of the Audit Committee (the "**Committee**") of the Board of Directors (the "**Board**") of IM Cannabis Corp. (the "**Company**") is to provide an open avenue of communication between management, the Company's independent auditor and the Board and to assist the Board in its oversight of:

(a) the integrity, adequacy and timeliness of the Company's financial reporting and disclosure practices;

(b) the Company's compliance with legal and regulatory requirements related to financial reporting; and

(c) the independence and performance of the Company's independent auditor.

The Committee shall also perform any other activities consistent with this audit committee charter (the "**Charter**"), the Company's articles, the rules and regulations of all exchanges on which the securities of the Company are listed for trading, National Instrument 52-110 – *Audit Committees*, as amended from time to time ("**NI 52-110**"), the *Business Corporations Act* (British Columbia), the United States Securities Exchange Act of 1934 (the "**Exchange Act**"), as amended for issuers listed on the NASDAQ Capital Market ("**NASDAQ**") and any other applicable laws as required or deemed necessary or appropriate by the Committee or Board (collectively, the "**Applicable Laws**").

The Committee's role is one of oversight of the conduct of those activities by the Company's management and external auditors, including oversight of the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company. Management is responsible for preparing the Company's financial statements and other financial information and for the fair presentation of the information set forth in the financial statements in accordance with international financial reporting standards ("**IFRS**"). Management is also responsible for establishing internal controls and procedures and for maintaining the appropriate accounting and financial reporting principles and policies designed to assure compliance with accounting standards and all Applicable Laws.

The independent auditor's responsibility is to audit the Company's financial statements and provide its opinion, based on its audit conducted in accordance with generally accepted auditing standards, that the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Company in accordance with IFRS.

The Committee is responsible for recommending to the Board the independent auditor to be nominated for the purpose of auditing the Company's financial statements, preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, and for reviewing and recommending the compensation of the independent auditor. The Committee is also directly responsible for the evaluation of and oversight of the work of the independent auditor.

The independent auditor shall report directly to the Committee.

COMMITTEE RESPONSIBILITIES

In addition to the foregoing, in performing its oversight responsibilities the Committee shall:

1. Have the funding and authority to discharge its duties and responsibilities.

2. Monitor the adequacy of this Charter on an annual basis and recommend any proposed changes to the Board.

3. Review the appointments of the Company's Chief Financial Officer and any other key financial executives involved in the financial reporting process.

4. Review with management and the independent auditor the adequacy and effectiveness of the Company's accounting and financial controls and the adequacy and timeliness of its financial reporting processes.

5. Review with management and the independent auditor the annual financial statements and related documents and review with management the unaudited quarterly financial statements and related documents, prior to filing or distribution, including matters required to be reviewed under applicable legal or regulatory requirements.

6. Where appropriate and prior to release, review with management any news releases that disclose annual or interim financial results or contain other significant financial information that has not previously been released to the public.

7. Review the Company's financial reporting and accounting standards and principles and significant changes in such standards or principles or in their application, including key accounting decisions affecting the financial statements, alternatives thereto and the rationale for decisions made.

8. Review the quality and appropriateness of the accounting policies and the clarity of financial information and disclosure practices adopted by the Company, including consideration of the independent auditor's judgment about the quality and appropriateness of the Company's accounting policies. This review may include discussions with the independent auditor without the presence of management.

9. Review with management and the independent auditor significant related party transactions and potential conflicts of interest.

10. Pre-approve all non-audit services to be provided to the Company by the independent auditor.

11. Ensure receipt from the independent auditors of a formal written statement delineating all relationships between the auditor and the Company, and monitor the independence of the independent auditor by reviewing all relationships between the independent auditor and the Company and all non-audit work performed for the Company by the independent auditor and to engage in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the external auditors.

12. Establish and review the Company's procedures for the:

    - receipt, retention and treatment of complaints regarding accounting, financial disclosure, internal controls or auditing matters; and

- confidential, anonymous submission by employees regarding questionable accounting, auditing and financial reporting and disclosure matters.

13. Conduct or authorize investigations into any matters that the Committee believes is within the scope of its responsibilities.

14. Perform such other functions and exercise such other powers as are prescribed or required by the articles of the Company or pursuant to Applicable Laws as set out for the audit committee of a reporting issuer under NI 52-110, section 224 of the *Business Corporations Act* (British Columbia) and the Exchange Act.

DIRECTORS MAY REQUEST MEETING

Any Director of the Company may request the chair of the Committee (the " **Chair**") to call a meeting of the Committee and may attend at such meeting or inform the Committee of a specific matter of concern to such Director, and may participate in such meeting to the extent permitted by the Chair.

The times of and places where the meetings of the Committee shall be held and the calling of and procedure at such meetings shall be determined from time to time by the Committee.

COMMITTEE STRUCTURE AND AUTHORITY

(a) **Composition**

The Committee shall consist of at least three directors as determined by the Board, all of whom shall qualify as independent directors pursuant to (i) NI 52-110; (ii) Rule 5605 of the NASDAQ Stock Market Rules; (iii) Rule10A-3(b)(1) under the Exchange Act; and (iv) any additional requirements or guidelines for audit committee service under applicable securities laws and the rules of any stock exchange on which the shares of the Company are listed for trading.

All members of the Committee shall be financially literate, as defined in NI 52-110, and at least one member shall have "accounting or related financial management expertise". In particular, at least one member shall have: (i) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions; (ii) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions; (iii) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or (iv) other relevant experience:

(i) an understanding of generally accepted accounting principles and financial statements;

(ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and provisions;

(iii) expertise 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 Company's financial statements, or experience actively supervising one or more persons engaged in such activities;

(iv) an understanding of internal controls and procedures for financial reporting; and

(v) an understanding of audit committee functions.

Committee members may not, other than in their respective capacities as members of the Committee, the Board or any other committee of the Board, accept directly or indirectly any consulting, advisory or other compensatory fee from the Company or any subsidiary of the Company, or be an "affiliated person" (as such term is defined in the Exchange Act and the rules adopted by the U.S. Securities and Exchange Commission thereunder) of the Company or any subsidiary of the Company. For greater certainty, directors' fees and fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company that are not contingent on continued service should be the only compensation an audit committee member may receive from the Company.

No Committee member shall serve on the audit committees of more than three other issuers without prior determination by the Board that such simultaneous service would not impair the ability of such member to serve effectively on the Committee.

(b) **Appointment of Replacement Committee Members**

Each member of the Committee shall serve at the pleasure of the Board. Any member of the Committee may be removed or replaced at any time by the Board and shall automatically cease to be a member of the Committee upon ceasing to be a Director of the Company.

The Board may fill vacancies on the Committee by appointment from amongst its number. The Board shall fill any vacancy if the membership of the Committee is less than three directors. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all their power so long as a quorum remains in office.

Subject to the foregoing, the members of the Committee shall be appointed by the Board annually and each member of the Committee shall hold office until the next annual meeting of the shareholders of the Company after his or her election or until his or her successor shall be duly qualified and appointed.

(c) **Quorum**

A majority of the Committee present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to each other shall constitute a quorum.

(d) **Review of Charter**

The Committee shall review and reassess the adequacy of this Charter at least annually and otherwise as it deems appropriate, and recommend changes to the Board of Directors. The Committee shall reference this Charter in establishing its annual goals and meeting objectives.

(e) **Delegation**

The Committee may delegate from time to time to any person or committee of persons any of the Committee's responsibilities that lawfully may be delegated.

(f) **Reporting to the Board**

The Committee will report through the Chair to the Board on matters considered by the Committee, its recommendations and performance relative to annual objectives and its Charter.

(g) **Chair**

The Chair shall be appointed by the Board from among the members of the Committee, and if not appointed by the Board, then shall be appointed by the members of the Committee.

(h) **Absence of Chair**

If the Chair is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside at the meeting.

(i) **Calling of Meetings**

Any Director, the Chairman of the Board, the Corporate Secretary of the Company or the independent auditor of the Company may call a meeting. The Committee shall meet at least four times per year and as many additional times as needed to carry out its duties effectively.

(j) **Notice of Meetings**

Notice of the time and place of every meeting shall be given in writing or electronic communication to each member of the Committee at least 48 hours prior to the time fixed for such meeting. Notice of each meeting shall also be given to the independent auditors of the Company. A member of the Committee and the independent auditors may in any manner waive notice of a Committee meeting. Attendance of a member of the Committee at a meeting is a waiver of notice of the meeting except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called.

(k) **Procedure, Records and Reporting**

Subject to any statute or articles or by-laws of the Company, the Committee shall fix its own procedures at meetings, keep records of its proceedings and report to the Board, generally not later than the next scheduled meeting of the Board that follows the Committee meeting. In discharging its responsibilities, the Committee shall have full access to any relevant records of the Company.

(l) **Attendance of Others at Meetings**

The Committee shall have the right to determine who shall, and who shall not, be present at any time during a meeting of the Committee. The Committee may request any officer or employee of the Company, the Company's legal counsel, or any external auditor, to attend a meeting of the Committee or to meet with any members of, or consultants to the Committee. The Committee shall also have the authority to communicate directly with the independent auditor.

(m) **Outside Experts and Advisors**

The Committee may retain, and set and pay the compensation to, any outside expert or advisor, including but not limited to, legal, accounting, financial or other consultants, at the Company's expense, as it determines necessary to carry out its duties. The Committee will assure itself as to the independence of any outside expert or advisor.

CURRENCY OF THIS CHARTER
This Charter was last approved by the Board on November 26, 2020.

I AM CANNABIS



2021

ANNUAL REPORT

IM CANNABIS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2021

CANADIAN DOLLARS IN THOUSANDS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

to the Shareholders and Board of directors of

IM CANNABIS CORP. and its subsidiaries

Opinion on the consolidated financial statements

We have audited the accompanying consolidated statements of financial position of IM Cannabis Corp. (the “Company”) and its subsidiaries (collectively, the "Group"), as of December 31, 2021 and 2020 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended and the related notes (collectively referred to as the “consolidated financial statements”).

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2021 and 2020 and the results of its operations and its cash flows for the years then ended, in conformity with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on the Group’s consolidated financial statements based on our audits. 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 Group 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 consolidated financial statements are free of material misstatement, whether due to error or fraud. The Group is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit 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 Group’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 consolidated 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 consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

We have served as the Company's auditor since 2018.

Tel-Aviv, Israel
March 31, 2022

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian Dollars in thousands

	Note	December 31, 2021	December 31, 2020
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		$ 13,903	$ 8,885
Restricted deposit		1	18
Trade receivables	6	16,711	5,501
Advances to suppliers		2,300	3,602
Other accounts receivable	7	14,481	689
Investments and financial instruments	5	3,129	-
Loans receivable	15e	2,708	-
Biological assets	8	1,687	78
Inventories	9	29,391	8,370
		84,311	27,143
NON-CURRENT ASSETS:			
Property, plant and equipment, net	10	30,268	5,532
Investments	15c	2,429	2,341
Derivative assets		14	-
Right-of-use assets, net	12	18,162	935
Deferred tax assets, net	17	16	769
Intangible assets, net	5, 11	30,885	1,092
Goodwill	5, 11	121,303	304
		203,077	10,973
Total assets		$ 287,388	$ 38,116

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian Dollars in thousands

	Note	December 31, 2021	December 31, 2020
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables		$ 13,989	$ 2,605
Bank loans	1a	9,502	-
Other accounts payable and accrued expenses	14	20,143	3,497
Accrued purchase consideration liabilities	5	6,039	-
Current maturities of operating lease liabilities	12	1,554	167
		51,227	6,269
NON-CURRENT LIABILITIES:			
Warrants measured at fair value	15	6,022	16,540
Operating lease liabilities	12	17,820	823
Long-term loans		392	-
Employee benefit liabilities, net	13	391	371
Deferred tax liability	17	6,591	1,503
		31,216	19,237
Total liabilities		82,443	25,506
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	18		
Share capital and premium		237,677	37,040
Treasury Stock		(660)	-
Translation reserve		2,614	1,229
Reserve from share-based payment transactions		12,348	5,829
Accumulated deficit		(50,743)	(33,001)
Total equity attributable to shareholders of the Company		201,236	11,097
Non-controlling interests		3,709	1,513
Total equity		204,945	12,610
Total equity and liabilities		$ 287,388	$ 38,116

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

March 31, 2022			
Date of approval of the financial statements	Marc Lustig Chairman of the Board	Oren Shuster Chief Executive Officer	Shai Shemesh Chief Financial Officer

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

Canadian Dollars in thousands

	Note	Year ended December 31, 2021	2020
Revenues		$ 54,300	$ 15,890
Cost of revenues		42,418	7,081
Gross profit before fair value adjustments		11,882	8,809
Fair value adjustments:			
Unrealized change in fair value of biological assets		7,210	11,781
Realized fair value adjustments on inventory sold in the year		(8,796)	(10,122)
Total fair value adjustments		(1,586)	1,659
Gross profit after fair value adjustments		10,296	10,468
General and administrative expenses		32,219	11,549
Selling and marketing expenses		8,995	3,782
Share-based compensation	18	7,471	3,382
Total operating expenses		48,685	18,713
Operating loss		(38,389)	(8,245)
Finance income	15	22,024	277
Finance expenses		(1,648)	(20,504)
Finance income (expense), net		20,376	(20,227)
Loss before income taxes		(18,013)	(28,472)
Income tax expense	17	505	262
Net Loss		(18,518)	(28,734)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on defined benefit plans		21	(30)
Exchange differences on translation to presentation currency		858	1,144
Total other comprehensive income that will not be reclassified to profit or loss in subsequent periods		879	1,114
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:			
Adjustments arising from translating financial statements of foreign operation		530	(124)
Total other comprehensive income that will be reclassified to profit or loss in subsequent periods		530	(124)
Total other comprehensive income		1,409	990
Total comprehensive loss		$ (17,109)	$ (27,744)

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

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

Canadian Dollars in thousands, except per share data

	Note	Year ended December 31, 2021	2020
Net loss attributable to:			
Equity holders of the Company		$ (17,763)	$ (28,698)
Non-controlling interests		(755)	(36)
		$ (18,518)	$ (28,734)
Total comprehensive income (loss) attributable to:			
Equity holders of the Company		(16,357)	(27,808)
Non-controlling interests		(752)	64
		$ (17,109)	$ (27,744)
Net loss per share attributable to equity holders of the Company:	20		
Basic		$ (0.31)	$ (0.74)
Diluted		$ (0.66)	$ (0.74)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Canadian Dollars in thousands

	Share Capital and premium	Treasury Stock	Reserve from share-based payment transactions	Translation reserve	Accumulated deficit	Total	Non-controlling interests	Total equity
Balance as of January 1, 2020	$ 25,947	$ -	$ 2,677	$ 309	$ (4,273)	$ 24,660	$ 1,449	$ 26,109
Net loss	-	-	-	-	(28,698)	(28,698)	(36)	(28,734)
Total other comprehensive income (loss)	-	-	-	920	(30)	890	100	990
Total comprehensive income (loss)	-	-	-	920	(28,728)	(27,808)	64	(27,744)
Exercise of warrants and compensation options	10,251	-	-	-	-	10,251	-	10,251
Exercise of options	834	-	(222)	-	-	612	-	612
Share-based compensation	-	-	3,382	-	-	3,382	-	3,382
Forfeited options	8	-	(8)	-	-	-	-	-
Balance as of December 31, 2020	37,040	-	5,829	1,229	(33,001)	11,097	1,513	12,610
Net loss	-	-	-	-	(17,763)	(17,763)	(755)	(18,518)
Total other comprehensive income (loss)	-	-	-	1,385	21	1,406	3	1,409
Total comprehensive income (loss)	-	-	-	1,385	(17,742)	(16,357)	(752)	(17,109)
Issuance of common shares, net of issuance costs of $3,800	195,259	-	-	-	-	195,259	2,948	198,207
Purchase of treasury common shares	-	(660)	-	-	-	(660)	-	(660)
Exercise of warrants and compensation options	4,293	-	-	-	-	4,293	-	4,293
Exercise of options	1,053	-	(920)	-	-	133	-	133
Share-based compensation	-	-	7,471	-	-	7,471	-	7,471
Forfeited options	32	-	(32)	-	-	-	-	-
Balance as of December 31, 2021	$ 237,677	$ (660)	$ 12,348	$ 2,614	$ (50,743)	$ 201,236	$ 3,709	$ 204,945

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Canadian Dollars in thousands

	Year ended December 31,	
	2021	**2020**
Cash provided from operating activities:		
Net loss	$ (18,518)	$ (28,734)
Adjustments for non-cash items:		
Unrealized gain on changes in fair value of biological assets	(7,210)	(11,781)
Fair value adjustment on sale of inventory	8,796	10,122
Fair value adjustment on Warrants, Investments, and Accounts Receivable	(21,638)	20,155
Depreciation of property, plant and equipment	3,021	690
Amortization of intangible assets	1,158	31
Depreciation of right-of-use assets	1,550	209
Impairment of goodwill	275	-
Finance income, net	1,262	72
Deferred tax benefit	278	(66)
Share-based payments expenses	7,471	3,382
Share based acquisition costs related to business combination	807	-
	(4,230)	22,814
Changes in non-cash working capital:		
Increase in trade receivables, net	(6,602)	(3,534)
Increase in other accounts receivable and advances to suppliers	845	(1,029)
Decrease in biological assets, net of fair value adjustments	6,412	11,771
Increase in inventories, net of fair value adjustments	(19,707)	(12,729)
Increase in trade payables	5,573	2,135
Changes in employee benefit liabilities, net	28	59
Increase in other accounts payable and accrued expenses	2,661	1,929
	(10,790)	(1,398)
Taxes paid	(834)	(601)
Net cash used in operating activities	(34,372)	(7,919)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(4,578)	(2,617)
Proceeds from loans receivable	7,796	-
Purchase of intangible assets	(17)	(93)
Acquisition of subsidiaries	(12,536)	-
Investments in associates	(13)	(1,347)
Proceeds from sale of investment	319	-
Proceeds from (investment in) restricted deposits	17	(18)
Net cash used in investing activities	$ (9,012)	$ (4,075)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Canadian Dollars in thousands

	Year ended December 31,	
	2021	**2020**
Cash provided by financing activities:		
Proceeds from issuance of share capital, net of issuance costs	$ 28,131	$ -
Proceeds from issuance of warrants measured at fair value	11,222	-
Proceeds from exercise of warrants and compensation options	3,682	6,378
Proceeds from exercise of options	133	612
Repayment of lease liability	(633)	(182)
Repayment of lease liability interest	(1,347)	(68)
Proceeds from bank loan	7,804	-
Interest paid in respect of loans	(261)	-
Net cash provided by financing activities	48,731	6,740
Effect of foreign exchange on cash and cash equivalents	(329)	213
Increase (decrease) in cash and cash equivalents	5,018	(5,041)
Cash and cash equivalents at beginning of year	8,885	13,926
Cash and cash equivalents at end of year	$ 13,903	$ 8,885
Supplemental disclosure of non-cash activities:		
Right-of-use asset recognized with corresponding lease liability	$ 1,678	$ 107
Conversion of warrant and compensation options into common shares	$ 611	$ 3,873

Schedule A - Acquisition of TFC:

The subsidiary's assets and liabilities at date of acquisition:	
Working capital (excluding cash and cash equivalents)	$ 9,427
Investments	319
Property, plant and equipment	15,193
Right of use assets	15,037
Lease liability	(15,037)
Intangible assets	6,458
Goodwill	67,269
Common shares issued upon the acquisition	(99,028)
	$ (362)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Canadian Dollars in thousands

Schedule B - Acquisition of Panaxia:

The assets and liabilities at date of acquisition:

Inventory	$	19
Accrued purchase consideration liability		(126)
Investments		2,837
Property, plant and equipment		88
Intangible assets		776
Goodwill		3,240
	$	6,834

Schedule C - Acquisition of MYM:

The subsidiary's assets and liabilities at date of acquisition:

Working capital (excluding cash and cash equivalents)	$	4,471
Loan payables		(915)
Property, plant and equipment and right of use assets		6,735
Lease liability		(873)
Deferred tax liability		(4,061)
Intangible assets		17,200
Goodwill		39,932
Common shares issued upon the acquisition		(62,620)
	$	(131)

Schedule D - Acquisition of Pharm Yarok:

The subsidiary's assets and liabilities at date of acquisition:

Working capital deficit (excluding cash and cash equivalents)	$	(646)
Accrued purchase consideration liability		(1,332)
Property, plant and equipment		1,145
Long-term loans		(1,042)
Deferred tax liability		(224)
Intangible assets		974
Goodwill		4,294
	$	3,169

Schedule E - Acquisition of Vironna:

The subsidiary's assets and liabilities at date of acquisition:

Working capital (excluding cash and cash equivalents)	$	44
Accrued purchase consideration liability		(1,855)
Property, plant and equipment		210
Deferred tax liability		(532)
Intangible assets		2,316
Goodwill		2,250
Non-controlling interest		(1,026)
	$	1,407

CONSOLIDATED STATEMENTS OF CASH FLOWS

Canadian Dollars in thousands

Schedule F - Acquisition of Oranim:

The subsidiary's assets and liabilities at date of acquisition:

Working capital deficit (excluding cash and cash equivalents)	$	595
Accrued purchase consideration liability		(2,726)
Property, plant and equipment		389
Right of use assets		1,312
Lease liability		(1,312)
Intangible assets		2,991
Deferred tax liability		(688)
Goodwill		2,907
Non-controlling interest		(1,849)
	$	1,619

NOTE 1:- GENERAL

a. Corporate information:

IM Cannabis Corp. (the "Company" or "IMCC") is listed for trading on the Canadian Securities Exchange ("CSE") and, commencing from March 1, 2021, on NASDAQ under the ticker symbol "IMCC". IMCC's main office is located in Kibutz Glil-Yam, Israel.

IMCC operates in the field of medical cannabis, through Focus Medical Herbs Ltd. ("Focus"), which is licensed under the regulations of medical cannabis by the Israeli Ministry of Health ("MOH") through its Israel Medical Cannabis Agency ("IMCA") to breed, grow and supply medical cannabis product in Israel and all of its operations are performed pursuant to the Israeli Dangerous Drugs Ordinance (New Version), 1973 (the "Dangerous Drugs Ordinance"), and the related regulations issued by IMCA. During 2021 IMCC entered to the retail market using pharmacies selling medical cannabis and other pharma products.

In Europe, IMCC operates through Adjupharm, a German-based subsidiary acquired by IMC Holdings on March 15, 2019. Adjupharm is an EU-GMP certified medical cannabis producer and distributor with wholesale, narcotics handling, manufacturing, procurement, storage and distribution licenses granted by German regulatory authorities that allow for import/export capability with requisite permits.

In Canada, IMCC operates through Trichome JWC Acquisition Corp. ("TJAC") d/b/a JWC and MYM, both Canadian federally licensed producer of cannabis products in the adult-use recreational cannabis market in Canada.

The Company and its subsidiaries do not engage in any U.S. cannabis-related activities as defined in Canadian Securities Administrators Staff Notice 51-352.

The Company, its subsidiaries and Focus (collectively: the "Group"), operate in geographical reporting segments (note 23). The majority of the Group's revenues are generated from sales of medical cannabis products to customers in Israel and recreational cannabis in Canada. The remaining revenues are generated from sales of medical cannabis, as well as other products, to customers in Germany.

COVID-19:

Since March 31, 2020, the outbreak of the novel strain of coronavirus ("COVID-19") and the ongoing pandemic, has resulted in governments worldwide enacting various emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods, closing of non-essential businesses and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown.

NOTE 1:- GENERAL (Cont.)

The Group has taken proactive measures to protect the health and safety of its employees in order to continue delivering high quality medical cannabis products to its patients and to maintain its financial health, including postponed planned investments in certain jurisdictions until global economic risks subside.

To date, the Group's cannabis operations, results and financial position have not been materially impacted by COVID-19 related issues. Apart for temporary delays in Canada, the Group has not experienced material disruptions in its labor inputs and cultivation and processing activities, there have been no indicators of material issues to the Group's supply chain, and on the consumer side, product demand has remained stable and medical cannabis has been declared an essential service across Israel, Germany and Canada, as such, the Group's overall distribution remains relatively unimpacted.

While the precise impact of the COVID-19 outbreak on the Group remains unknown, the rapid spread of COVID-19 and declaration of the outbreak as a global pandemic have resulted in travel advisories and restrictions, certain restrictions on business operations, social distancing precautions and restrictions on group gatherings which are having direct impacts on businesses in Canada, Israel, Germany and elsewhere in the world. Such additional precautionary measures could also impact the Group's business. The spread of COVID-19 may also have a material adverse effect on global economic activity and could result in volatility and disruption to global supply chains and the financial and capital markets. These disruptions could cause interruptions in supplies and other services from third parties upon which the Group relies; decrease demand for products; and cause staff shortages, reduced customer traffic, and increased government regulation, all of which may materially and negatively impact the business, financial condition and results of operations of the Group.

Liquidity and capital resources:

On May 10, 2021, the Company completed an overnight marketed offering (the "Offering") of 6,086,956 Common Shares (each an "Offered Share") at a price of US$5.75 per Offered Share for aggregate gross proceeds of approximately US$ 35 million (approximately $42,502) (see Note 15d).

As of December 31, 2021, the Company's cash position (cash and cash equivalents) totaled $ 13,903 and the Company's working capital (current assets less current liabilities) amounted to $33,084. In the year ended December 31, 2021, the Company had an operating loss of ($38,389) and negative cash flows from operating activities of ($ 34,372). The Company's current operating budget includes various assumptions concerning the level and timing of cash receipts from sales and cash outlays for operating expenses and capital expenditures, including a cost saving plan. The Company is planning to finance its operations from its existing and future working capital resources and to continue to evaluate additional sources of capital and financing. However, there is no assurance that additional capital and or financing will be available to the Company, and even if available, whether it will be on terms acceptable to the Company or in amounts required.

Accordingly, the Company's board of directors approved a cost saving plan, to be implemented if needed, in whole or in part, at its discretion, to allow the Company to continue its operations and meet its cash obligations. The cost saving plan consist of cost reduction due to efficiencies and synergies, which include mainly the following steps: reduction in payroll and headcount, reduction in compensation paid to key management personnel, operational efficiencies and reduced capital expenditures. The Company and the board of directors believe that its existing financial resources and its operating plans, including the effects of the costs saving plan, will be adequate to satisfy its expected liquidity requirements for a period of at least twelve months from the end of the reporting period.

During the year, TJAC and certain MYM subsidiaries entered into a revolving credit facility (the "Facility") with a private Canadian creditor. The Facility is guaranteed by Trichome Financial Corp. Advances from the Facility is used for working capital needs.
The Facility has a total commitment of up to $ 10,000 and has a one-year term, renewable upon mutual agreement by the parties on May 14, 2022 for up to two additional periods of 180 days. The borrowing base available for draw at any time throughout the Facility is a function of the trade receivable and inventory balances at the time of drawdown. The Facility bears interest at the higher of 9.75% and the Toronto Dominion Bank Prime Rate plus 7.30% per annum . The balance as at December 31, 2021 was $ 8,582.

NOTE 1:- GENERAL (Cont.)

In January 2022, Focus entered into a Revolving Credit Facility with Bank Mizrahi (the "Mizrahi Facility"). The Mizrahi Facility is guaranteed by Focus assets. Advances from the Mizrahi Facility will be used for working capital needs.

The Mizrahi Facility has a total commitment of up to NIS 15,000 thousand (approximately $6,000) and has a one-year term for on-going needs and 6 months term for imports and purchases needs. The Mizrahi Facility is renewable upon mutual agreement by the parties. The borrowing base available for draw at any time throughout the Mizrahi Facility and is subject to several covenants to be measured on a quarterly basis. The Mizrahi Facility bears interest of Israeli Prime interest plus 1.5% (approximately 3.3%) per annum .

b. Strategic developments:

1. On April 2, 2019, IMC undertook a restructuring process (the "IMC Restructuring") to divest its holdings in Focus, I.M.C Pharma Ltd and I.M.C.C. Ltd. (the "Licensed Entities") and sold its interest to the two Principal Shareholders of the Company. In the process, IMC restructured its connection to the Government Issued License, from Direct Ownership to a Business Agreement relationship, according to which IMC will still gain most of the economic values generated from the License, without directly owning it. Furthermore, IMC has the option to buy back the ownership of the license from the two Principal Shareholders. The restructuring process was subject to the prior approval of the Ministry of Health (the "MOH") and became effective on June 24, 2019.

   Following the IMC Restructuring of the Licensed Entities, the Company does not currently hold, directly or indirectly, any licenses to engage in the cultivation, production, processing, distribution or sale of medical cannabis in Israel.

   Subsequent to the IMC Restructuring, according to accounting criteria in IFRS 10, the Company is still viewed as effectively exercising control over Focus, and therefore, the accounts of Focus continue to be consolidated with those of the Company.

2. On March 8, 2021, the Company announced that Focus signed a multi-year supply agreement with GTEC Holdings Ltd. ("GTEC"), a Canadian licensed producer of handcrafted and high-quality cannabis (the "GTEC Agreement"). According to the GTEC Agreement, Focus will import GTEC's high-THC medical cannabis inflorescence into Israel to be sold under the IMC brand. With the arrival of these commercial shipments, the Company will launch a new category of imported premium indoor medical cannabis products under its well-established brand.

   The first import of the Canadian-grown high-THC strains from GTEC's subsidiary, Grey Bruce Farms Incorporated ("GBF"), arrived during September 2021. According to the GTEC Agreement, Focus will purchase a minimum quantity of 500kg of high-THC medical cannabis inflorescence from GBF and will be the exclusive recipient of GTEC cannabis products in the Israeli market for a period of 12 months from the date that the first shipment of GTEC products arrives in Israel (the "Exclusive Term"). The Exclusive Term can be extended under the terms of the GTEC Agreement by an additional 6 months.

NOTE 1:- GENERAL (Cont.)

3. On March 12, 2021, the Company filed a preliminary short form base shelf prospectus (the "Preliminary Shelf Prospectus") with the securities commissions or similar securities regulatory authorities in each of the provinces and territories of Canada (the "Securities Commissions"), and on March 15, 2021, the Company filed a corresponding shelf registration statement on Form F-10 with the SEC, under the Multijurisdictional Disclosure System ("MJDS") established between Canada and the United States.

   On March 31, 2021, in connection with the Preliminary Shelf Prospectus, the Company filed a final short form base shelf prospectus (the "Final Shelf Prospectus") with the Securities Commissions and a corresponding shelf registration statement on Form F-10 (the "Registration Statement") with the SEC. The Final Shelf Prospectus and the Registration Statement enable the Company to offer up to US$250 million (or its equivalent in other currencies) of Common Shares, warrants, subscription receipts, debt securities, units (collectively, the "Qualified Securities"), or any combination of such Qualified Securities from time to time, during the 25-month period that the Final Shelf Prospectus is effective. The specific terms of any offering under the Final Shelf Prospectus and the intended use of the net proceeds will be established in a prospectus supplement, which will be filed with the Securities Commissions and the SEC in connection with any such offering.

4. On March 12, 2021, Adjupharm entered into a supply agreement with Northern Green Canada Inc. (“NGC”) (the “NGC Supply Agreement”). Under the terms of the NGC Supply Agreement, NGC will provide Adjupharm with three new strains of medical cannabis products, to be distributed under the IMC brand to German pharmacies pursuant to Adjupharm’s distribution agreements with its German distribution partners. Shipments from NGC commenced in October 2021.

5. On March 18, 2021, the Company acquired all of Trichome Financial Corp.’s ("Trichome" or "TFC") issued and outstanding shares (the “Trichome Shares”). Pursuant to the terms of the Trichome Transaction, former holders of Trichome Shares and former holders of Trichome convertible instruments (the “Trichome Securityholders”) received 0.24525 of a Common Share for each Trichome Share held and each in-the-money convertible instrument of Trichome. As a result of the Trichome Transaction, a total of 10,104,901 Common Shares were issued to the Trichome Securityholders. In addition, 100,916 Common Shares were issued to financial advisors for advisory fees in connection with the Trichome Transaction.

6. On March 29, 2021, Adjupharm entered into a supply agreement with MediPharm Labs Corp. (“MediPharm Labs”) for certain medical cannabis extract products to be delivered by MediPharm Labs over an initial two-year term with an automatic two-year extension period. Shipments from MediPharm Labs commenced in October 2021.

7. On March 30, 2021, Zur Rose Pharma GmbH (“Zur Rose”) and the Company entered into a termination settlement agreement in connection with the sales agreements announced in July 2020 according to Zur Rose's request, and under which Adjupharm received a termination fee. According to the termination agreement, no inventory will be transferred from Zur Rose to Adjupharm or vice versa.

NOTE 1:- GENERAL (Cont.)

8. During March 2021, Adjupharm entered into two supply agreements with supply partners in China, under which Adjupharm bought COVID-19 rapid antigen test kits. Concurrently, Adjupharm entered into several resale agreements with reseller partners in Germany, under which Adjupharm sold the COVID-19 antigen test kits to pharmacies and retailers in Germany.

9. On April 30, 2021, the Company announced that its wholly-owned Israeli subsidiary, IMC Holdings, signed a definitive agreement (the “Panaxia Agreement”) with Panaxia Pharmaceutical Industries Israel Ltd. and Panaxia Logistics Ltd. (collectively “Panaxia”) (the “Panaxia Transaction”). Pursuant to the Panaxia Agreement, IMC Holdings will acquire Panaxia’s trading house license and in-house pharmacy activities, certain distribution assets and an option to purchase a pharmacy with licenses to sell medical cannabis to patients, for an aggregate purchase price of NIS 18.7 million (approximately $7,000), comprised of NIS 7.6 million (approximately $2,800) in cash and NIS 11.1 million (approximately $4,200) in Common Shares (the “Panaxia Consideration Shares”). As of December 31, 2021, all of the cash consideration was paid and all of the common shares consideration were issued.

   Panaxia Transaction will be finalized in two stages, with an option of a third stage. Upon the initial closing, on May 30, 2021, all online-related activities and intellectual property will be transferred to IMC Holdings. The second stage requires that Panaxia will transfer its IMC-GDP license, which allows the holder to store and distribute medical cannabis in Israel, to IMC Holdings or its subsidiary (the “Panaxia IMC-GDP License”). The second stage was subject to MOH approval, which granted its approval subsequent to December 31, 2021, on February 15, 2022. Panaxia Transaction includes an option to acquire Panaxia’s pharmacy (the “Panaxia Option”), including licenses to dispense and sell products to cannabis patients (the “Panaxia Pharmacy Licenses”) for additional payment in the amount equal to the medical cannabis inventory of the pharmacy at the time of exercise. The option was exercised on February 1, 2022.

   The Panaxia Agreement provides the Company with the power to unilaterally make all decisions regarding the financial and operating policies of all of the abovementioned acquired assets and activities and the rights to obtain all economic benefits from those assets and activities. Accordingly, the Company has concluded that it exercises control over the acquired assets and activities as of the date of the definitive agreement, which is the date from which the assets are included in these consolidated financial statements.

10. On July 9, 2021, the Company acquired all the issued and outstanding shares of MYM Nutraceuticals Inc. and closed the MYM transaction (the “MYM Transaction“). The Company acquired MYM's licensed producer subsidiary Highland Grow Inc., pursuant to a plan of arrangement to be completed under the Business Corporations Act in British Columbia. MYM operates two licensed, craft cultivation facilities in Canada; SublimeCulture Inc. in Laval, Quebec, and Highland Grow Inc., in Antigonish, Nova Scotia. MYM’s flagship brand, Highland, is an ultra-premium brand sold in most provinces throughout Canada. Under the terms of the MYM Transaction, the shareholders of MYM will receive 0.022 Common Shares of IMCC for each common share of MYM. As a result of the MYM transaction, a total of 10,073,437 Common shares were issued to the MYM former shareholders (including 49,802 Common Shares issued to a financial advisor of MYM).

NOTE 1:- GENERAL (Cont.)

11. On July 28, 2021, IMC Holdings entered into a definitive agreement to acquire all of the issued and outstanding share of R.A. Yarok Pharm Ltd., Rosen High Way Ltd. and High Way Shinua Ltd. (collectively "Pharm Yarok Group"). The aggregate consideration for the Pharm Yarok Group acquisition is NIS 11,900 thousand (approximately $4,600), of which NIS 3,500 thousand (approximately $1,300) shall be in the form of issuance of Common Shares of the Company at closing to the former shareholders. The closing of the Pharm Yarok Group acquisition is conditional upon receipt of all requisite approvals, including from the MOH, which granted its approval subsequent to December 31, 2021, on February 15, 2022. As of December 31, 2021, the Company has not transferred the Common Share consideration. Pharm Yarok Group is a leading medical cannabis pharmacy and trading company located in central Israel, Rosen High Way, a trade and distribution center providing medical cannabis storage, distribution services and logistics solutions for cannabis companies and pharmacies in Israel and High Way Shinua, an applicant for a medical cannabis transportation license from the IMCA, the receipt of which would permit High Way Shinua to transport large quantities of medical cannabis to and from Pharm Yarok's pharmacy and Rosen High Way's distribution center and to and from third parties in the medical cannabis sector, including medical cannabis growing facilities, pharmacies, manufacturers and distribution centers across Israel.

    The definitive agreement provides the Company with the power to unilaterally make all decisions regarding the financial and operating policies of the Pharm Yarok Group and the rights to obtain all related economic benefits. Accordingly, the Company has concluded that it exercises control over the Pharm Yarok Group as of the date of the definitive agreement, which is the date from which the accounts of the Pharm Yarok Group are included in these consolidated financial statements.

12. On August 16, 2021, IMC Holdings signed a definitive agreement to acquire 51% of the outstanding ordinary shares of Revoly Trading and Marketing Ltd. ("Vironna") for a total consideration of NIS 8,500 thousand (approximately $3,300), of which NIS 5,000 thousand (approximately $1,950) in cash and NIS 3,500 thousand (approximately $1,350) is in Common Shares of the Company to be issued at closing of Vironna transaction. The closing is conditional upon receipt of all requisite approvals, including from the MOH, which granted its approval subsequent to December 31, 2021, on February 15, 2022. As of December 31, 2021, the Company paid a consideration amounted to NIS 3,750 (approximately 1,400) to the former shareholders of Virrona. Vironna is a leading pharmacy licensed to dispense and sell medical cannabis to licensed medical cannabis patients, located in central Israel.

    As of December 31, 2021 the Company paid a consideration amounted to NIS 3,750 (approximately $1,400) to the former shareholders of Vironna.

    The definitive agreement provides the Company with the power to unilaterally make all decisions regarding the financial and operating policies of Vironna and the rights to obtain all related economic benefits. Accordingly, the Company has concluded that it exercises control over Vironna as of the date of the definitive agreement, which is the date from which the accounts of Vironna are included in these consolidated financial statements.

13. On December 1, 2021, IMC Holdings signed a definitive agreement to acquire 51% of the rights in Oranim Pharm, one of the largest pharmacies selling medical cannabis in Israel and the largest pharmacy selling medical cannabis in the Jerusalem area, by acquiring 51.3% of the outstanding shares of Oranim Plus, which holds 99.5% of the rights in Oranim Pharm (the "Oranim Transaction").

    The Oranim Transaction closed on March 28, 2022, upon receipt of all requisite approvals, including the approval of the MOH, for an aggregate consideration of NIS 11,940 (approximately $4,900), consisting of NIS 5,202 (approximately $2,104) paid in cash upon signing, NIS 5,202 (approximately $2,104) which will be paid in cash on the first quarter of 2023 and NIS 1,536 (approximately $630) paid in 251,001 Common Shares on March 30, 2022. The number of Oranim Consideration Shares issuable was calculated based on the average closing price of the IM Cannabis's common shares on the NASDAQ over the 14 trading day period immediately preceding closing of the Oranim Transaction.

    The definitive agreement provides the Company with the power to unilaterally make all decisions regarding the financial and operating policies of Oranim and the rights to obtain all related economic benefits. Accordingly, the Company has concluded that it exercises control over Oranim as of the date of the definitive agreement, which is the date from which the accounts of Oranim are included in these consolidated financial statements.

NOTE 1:- GENERAL (Cont.)

c. Approval of consolidated financial statements:

These consolidated financial statements of the Group were authorized for issue by the board of directors on March 31, 2022.

d. Definitions:

In these financial statements:

The Company, or IMCC	-	IM Cannabis Corp.
The Group	-	IM Cannabis Corp., its Subsidiaries and Focus
Subsidiaries	-	Companies that are controlled by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company
CAD or $	-	Canadian Dollar
NIS	-	New Israeli Shekel
USD or US$	-	United States Dollar

EURO or € - Euro

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

a. Basis of presentation:

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The Group's financial statements have been prepared on a cost basis, except for:

- Financial instruments which are presented at fair value through profit or loss.
- Biological assets which are presented at fair value less cost to sell up to the point of harvest.

The Group has elected to present the profit or loss items using the function of expense method.

b. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights are considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

As of December 31, 2021, and 2020, major subsidiaries over which the Company has control, directly or indirectly, include **:**

Subsidiaries	Percentage ownership		
	2021		2020
I.M.C. Holdings Ltd ("IMC")	100%		100%
Focus Medical Herbs Ltd. ("Focus") *)	74%		74%
I.M.C Farms Israel Ltd. ("IMC Farms")	100%		100%
I.M.C Ventures Ltd. ("IMC Ventures")	75%		75%
I.M.C - International Medical Cannabis Portugal Unipessoal Lda	100%		100%
Adjupharm GmbH ("Adjupharm")	90.02%		92.5%
R.A. Yarok Pharm Ltd. ("Pharm Yarok")	100%		-
Rosen High Way Ltd. ("Rosen High Way")	100%		-
High Way Shinua Ltd. ("HW Shinua")	100%		-
Revoly Trading and Marketing Ltd. ("Vironna")	51%		-
Oranim Plus Pharm LTD.	51.3%		-
Oranim Pharm	51%		-
Trichome Financial Corp. ("Trichome")	100%		-
Trichome Financial Cannabis GP Inc.	100%		-
Trichome Financial Cannabis Manager Inc.	100%		-
Trichome Asset Funding Corp.	100%		-
Trichome JWC Acquisition Corp. ("TJAC")	100%		-
Trichome Retail Corp.	100%		-
MYM Nutraceuticals Inc. ("MYM")	100%		-
SublimeCulture Inc.	100%		-
CannaCanada Inc.	100%		-
MYM International Brands Inc.	100%		-
Highland Grow Inc.	100%		-

*) See also Note 1b(1)

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

Non-controlling interests in subsidiaries represent the equity in subsidiaries not attributable, directly or indirectly, to a parent. Non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company. Profit or loss and components of other comprehensive income are attributed to the Company and to non-controlling interests. Losses are attributed to non-controlling interests even if they result in a negative balance of non-controlling interests in the consolidated statement of financial position.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The disposal of a subsidiary that does not result in a loss of control is recognized as a change in equity. Upon the disposal of a subsidiary resulting in loss of control, the Company:

- Derecognizes the subsidiary's assets (including goodwill) and liabilities.
- Derecognizes the carrying amount of non-controlling interests.
- Derecognizes the adjustments arising from translating financial statements carried to equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any remaining investment.
- Reclassifies the components previously recognized in other comprehensive income (loss) on the same basis as would be required if the subsidiary had directly disposed of the related assets or liabilities.
- Recognizes any resulting difference (surplus or deficit) as gain or loss.

c. Business combinations and goodwill:

Business combinations are accounted for by applying the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred on the acquisition date with the addition of non-controlling interests in the acquiree. In each business combination, the Company chooses whether to measure the non-controlling interests in the acquiree based on their fair value on the acquisition date or at their proportionate share in the fair value of the acquiree's net identifiable assets.

Direct acquisition costs are carried to the statement of profit or loss as incurred.

In a business combination achieved in stages, equity interests in the acquiree that had been held by the acquirer prior to obtaining control are measured at the acquisition date fair value while recognizing a gain or loss resulting from the revaluation of the prior investment on the date of achieving control.

Contingent consideration is recognized at fair value on the acquisition date and classified as a financial asset or liability in accordance with IFRS 9. Subsequent changes in the fair value of the contingent consideration are recognized in profit or loss. If the contingent consideration is classified as an equity instrument, it is measured at fair value on the acquisition date without subsequent remeasurement.

Goodwill is initially measured at cost which represents the excess of the acquisition consideration and the amount of non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the resulting amount is negative, the acquirer recognizes the resulting gain on the acquisition date.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

d. Functional currency, presentation currency and foreign currency:

1. Functional currency and presentation currency:

The functional currency of the Company is the Canadian dollar ("CAD"). The Group determines the functional currency of each Group entity.

Assets, including fair value adjustments upon acquisition, and liabilities of an investee which is a foreign operation, and of each Group entity for which the functional currency is not the presentation currency are translated at the closing rate at each reporting date. Profit or loss items are translated at average exchange rates for all periods presented. The resulting translation differences are recognized in other comprehensive income (loss).

Upon the full or partial disposal of a foreign operation resulting in loss of control in the foreign operation, the cumulative gain (loss) from the foreign operation which had been recognized in other comprehensive income is transferred to profit or loss. Upon the partial disposal of a foreign operation which results in the retention of control in the subsidiary, the relative portion of the amount recognized in other comprehensive income is reattributed to non-controlling interests.

2. Transactions, assets and liabilities in foreign currency:

Transactions denominated in foreign currency are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange rate differences, other than those capitalized to qualifying assets or accounted for as hedging transactions in equity, are recognized in profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Non-monetary assets and liabilities denominated in foreign currency and measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

e. Cash equivalents:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of investment or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Group's cash management.

f. Short-term deposits:

Short-term bank deposits are deposits with an original maturity of more than three months from the date of investment and which do not meet the definition of cash equivalents. The deposits are presented according to their terms of deposit.

g. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable directly or indirectly.

Level 3 - inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

h. Biological assets:

The Group’s biological assets consist of cannabis plants.

The Group capitalizes the direct and indirect costs incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest. The direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2, Inventories. These costs include the direct cost of planting and growing materials as well as other indirect costs such as utilities and supplies used in the cultivation process.

Indirect labor for individuals involved in the cultivation and quality control process is also included, as well as depreciation on growing equipment and overhead costs such as rent to the extent it is associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred, and they are all subsequently recorded within the line item cost of revenues on the Group’s statements of profit or loss and other comprehensive income in the period that the related product is sold.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Group then measures the biological assets at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of inventories after harvest. The fair value is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price per gram and also for any additional costs to be incurred (e.g., post-harvest costs). The net unrealized gains or losses arising from changes in fair value less cost to sell during the period are included in the gross profit for the related period and are recorded in a separate line on the face of the Group's statements of profit or loss and other comprehensive income.

Determination of the fair values of the biological assets requires the Group to make assumptions about how market participants assign fair values to these assets. These assumptions primarily relate to the level of effort required to bring the cannabis up to the point of harvest, costs to convert the harvested cannabis to finished goods, sales price, risk of loss, expected future yields from the cannabis plants and estimating values during the growth cycle.

The Group accretes fair value on a straight-line basis according to stage of growth (e.g., a cannabis plant that is 50% through its growing cycle would be ascribed approximately 50% of its harvest date expected fair value, subject to wastage adjustments).

The fair value of biological assets is categorized within Level 3 of the fair value hierarchy. For the inputs and assumptions used in determining the fair value of biological assets, see Note 8.

The Group's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

i. Inventories:

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale. The Group reviews inventory for obsolete, redundant and slow-moving goods and any such inventory are written-down to net realizable value.

Inventories of purchased finished goods and packing materials are initially valued at cost and subsequently at the lower of cost and net realizable value.

The direct and indirect costs of inventory initially include the fair value of the biological asset at the time of harvest. They also include subsequent costs such as materials, labor and depreciation expense on equipment involved in packaging, labeling and inspection.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

All direct and indirect costs related to inventory are capitalized as they are incurred, and they are subsequently recorded within cost of revenues on the Group's statements of profit or loss and other comprehensive income at the time cannabis is sold, except for realized fair value amounts included in inventory sold which are recorded as a separate line item on the face of the statements of profit or loss and other comprehensive income.

The Group must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged.

j. Property, plant and equipment:

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that are used in connection with plant and equipment.

A part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately using the component method.

Depreciation of property, plant and equipment is dependent upon estimates of useful lives and residual values which are determined through the exercise of judgement and calculated on a straight-line basis over the useful lives of the assets at annual rates as follows:

	%	Mainly %
Buildings	3	3
Greenhouse production equipment	7 - 33	20
Greenhouse structure	12.5	12.5
Motor vehicles	15-33	33

Computer, software and equipment	20 - 50	33
Leasehold improvements	See below	See below

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the improvement.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

k. Impairment of non-financial assets:

The Group evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

The following criteria are applied in assessing impairment of these specific assets:

Goodwill in respect of subsidiaries:

The Company reviews goodwill for impairment once a year, on December 31, or more frequently if events or changes in circumstances indicate that there is an impairment.

Goodwill is tested for impairment by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated. The Company identified the operations and Israel, Canada and Europe as three separate cash-generating units.

An impairment loss is recognized if the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is less than the carrying amount of the cash-generating unit (or group of cash-generating units). Any impairment loss is allocated first to goodwill. Impairment losses recognized for goodwill cannot be reversed in subsequent periods. During the year ended December 31, 2021, the Company recorded goodwill impairment in the amount of $275 with respect to the cash generating unit in Germany.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

l. Revenue recognition:

Revenue from contracts with customers is recognized when the control over the goods or services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes).

In determining the amount of revenue from contracts with customers, the Group evaluates whether it is a principal or an agent in the arrangement. The Group is a principal when the Group controls the promised goods or services before transferring them to the customer. In these circumstances, the Group recognizes revenue for the gross amount of the consideration. When the Group is an agent, it recognizes revenue for the net amount of the consideration, after deducting the amount due to the principal.

Revenue from the sale of goods:

Revenue from the sale of cannabis products is generally recognized at a point in time when control over the goods have been transferred to the customer. Payment is typically due prior to or upon delivery and revenue is recognized upon the satisfaction of the performance obligation. The Group satisfies its performance obligation and transfers control upon delivery and acceptance by the customer.

Variable consideration:

The Group determines the transaction price separately for each contract with a customer. When exercising this judgment, the Group

evaluates the effect of each variable amount in the contract, taking into consideration discounts, penalties, variations, claims, and non-cash consideration. In determining the effect of the variable consideration, the Group normally uses the "most likely amount" method described in the Standard. Pursuant to this method, the amount of the consideration is determined as the single most likely amount in the range of possible consideration amounts in the contract. According to the Standard, variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Bill-and-hold arrangements:

Due to strict regulations of storage and handling large quantities of cannabis products, the Group's customer may request the Group to retain physical possession of a sold product until it is delivered to the customer at a future point in time. Revenue from bill-and-hold sales is recognized before the product is physically delivered to the customer when all of the following criteria are met:

a) The reason for the bill-and-hold arrangement is substantive (for example, the customer has requested the arrangement);
b) The product is identified separately as belonging to the customer;
c) The product currently is ready for physical delivery to the customer;
d) The Group does not have the ability to use the product by selling it or delivering it to another customer.

m. Leases:

The Group accounts for a contract as a lease when the contract terms convey the right to control the use of an identified asset for a period of time in exchange for consideration.

For leases in which the Group is the lessee, the Group recognizes on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value. For these excluded leases, the Group has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term. In measuring the lease liability, the Group has elected to apply the practical expedient in the Standard and does not separate the lease components from the non-lease components (such as management and maintenance services, etc.) included in a single contract.

On the commencement date, the lease liability includes all unpaid lease payments discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Group's incremental borrowing rate. After the commencement date, the Group measures the lease liability using the effective interest rate method.

On the commencement date, the right-of-use asset is recognized in an amount equal to the lease liability plus lease payments already made on or before the commencement date and initial direct costs incurred. The right-of-use asset is measured applying the cost model and amortized over the shorter of its useful life and the lease term. The periods of amortization are: Land and buildings – 5-12 years; Motor vehicles – 3 years.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Variable lease payments that depend on an index:

On the commencement date, the Group uses the index rate prevailing on the commencement date to calculate the future lease payments.

For leases in which the Group is the lessee, the aggregate changes in future lease payments resulting from a change in the index are discounted (without a change in the discount rate applicable to the lease liability) and recorded as an adjustment of the lease liability and the right-of-use asset, only when there is a change in the cash flows resulting from the change in the index (that is, when the adjustment to the lease payments takes effect).

Lease extension and termination options:

A non-cancelable lease term includes both the periods covered by an option to extend the lease when it is reasonably certain that the extension option will be exercised and the periods covered by a lease termination option when it is reasonably certain that the termination option will not be exercised.

In the event of any change in the expected exercise of the lease extension option or in the expected non-exercise of the lease termination option, the Group remeasures the lease liability based on the revised lease term using a revised discount rate as of the date of the change in expectations. The total change is recognized in the carrying amount of the right-of-use asset until it is reduced to zero, and any further reductions are recognized in profit or loss.

n. Research and development expenditures:

Research expenditures are recognized in profit or loss when incurred.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

o. Financial instruments:

The Group apply the provisions of IFRS 9, "Financial Instruments".

1. Financial assets:

Financial assets are measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

The Group classifies and measures debt instruments in the financial statements based on the following criteria:

- The Group's business model for managing financial assets; and
- The contractual cash flow terms of the financial asset.

Debt instruments are measured at amortized cost when:

The Group's business model is to hold the financial assets in order to collect their contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, the instruments in this category are measured according to their terms at amortized cost using the effective interest rate method, less any provision for impairment.

Debt instruments are measured at fair value through profit or loss when:

A financial asset which is a debt instrument does not meet the criteria for measurement at amortized cost or at fair value through other comprehensive income. After initial recognition, the financial asset is measured at fair value and gains or losses from fair value adjustments are recognized in profit or loss.

Equity instruments:

Investments in equity instruments do not meet the above criteria and accordingly are measured at fair value through profit or loss. Dividends from investments in equity instruments are recognized in profit or loss when the right to receive the dividends is established.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Impairment of financial assets:

The Group evaluates at the end of each reporting period the loss allowance for financial debt instruments measured at amortized cost. The Group has short-term financial assets, principally trade receivables, in respect of which the Group applies a simplified approach and measures the loss allowance in an amount equal to the lifetime expected credit losses. The impairment loss, if any, is recognized in profit or loss with a corresponding allowance that is offset from the carrying amount of the assets.

Derecognition of financial assets:

A financial asset is derecognized only when:

- The contractual rights to the cash flows from the financial asset has expired; or
- The Group has transferred substantially all the risks and rewards deriving from the contractual rights to receive cash flows from the financial asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset; or
- The Group has retained its contractual rights to receive cash flows from the financial asset but has assumed a contractual obligation to pay the cash flows in full without material delay to a third party.

2. Financial liabilities:

Financial liabilities measured at amortized cost:

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability.

After initial recognition, the Group measures all financial liabilities at amortized cost using the effective interest rate method, except for financial liabilities at fair value through profit or loss.

Financial liabilities measured at fair value through profit or loss:

At initial recognition, the Group measures financial liabilities that are not measured at amortized cost at fair value. Transaction costs incurred at initial recognition are recognized in profit or loss.

After initial recognition, changes in fair value are recognized in profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Derecognition of financial liabilities:

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is discharged or cancelled or expires. A financial liability is extinguished when the debtor discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

3. Issue of a unit of securities:

The issue of a unit of securities involves the allocation of the proceeds received (before issue expenses) to the securities issued in the unit based on the following order: financial derivatives and other financial instruments measured at fair value in each period. Then fair value is determined for financial liabilities that are measured at amortized cost. The proceeds allocated to equity instruments are determined to be the residual amount. Issue costs are allocated to each component pro rata to the amounts determined for each component in the unit.

p. Employee benefit liabilities:

The Group has several employee benefit plans:

1. Short-term employee benefits:

Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered.

A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits:

The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

The Group has defined contribution plans pursuant to section 14 to the Israeli Severance Pay Law under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Group also operates a defined benefit plan in respect of severance pay pursuant to the Israeli Severance Pay Law. According to the Severance Pay Law, employees are entitled to severance pay upon dismissal or retirement. The liability for termination of employment is measured using the projected unit credit method. The actuarial assumptions include expected salary increases and rates of employee turnover based on the estimated timing of payment. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to market yields at the reporting date on high quality corporate bonds that are linked to the Consumer Price Index with a term that is consistent with the estimated term of the severance pay obligation.

In respect of its severance pay obligation to certain of its employees, the Group makes current deposits in pension funds and insurance companies (the "plan assets"). Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the Group's own creditors and cannot be returned directly to the Group.

The liability for employee benefits shown in the statement of financial position reflects the present value of the defined benefit

obligation less the fair value of the plan assets.

Remeasurements of the net liability are recognized in other comprehensive income in the period in which they occur.

q. Share-based payment transactions:

The Group's employees and service providers are entitled to remuneration in the form of equity-settled share-based payments.

Equity-settled transactions:

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using an acceptable option pricing model.

As for other service providers, the cost of the transactions is measured at the fair value of the goods or services received as consideration for equity instruments granted.

The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in equity during the period which the performance and/or service conditions are to be satisfied ending on the date on which the relevant employees become entitled to the award (the "vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

r. Provisions:

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects part or all of the expense to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense is recognized in the statement of profit or loss net of any reimbursement.

s. Taxes on income:

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or equity.

Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred taxes are measured at the tax rate that is expected to apply when the asset is realized, or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Deductible carryforward losses and temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable.

Deferred taxes are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

t. Earnings per share:

Earnings per share are calculated by dividing the net income attributable to equity holders of the Group by the weighted number of Common Shares outstanding during the period.

Potential Common Shares are included in the computation of diluted earnings per share when their conversion decreases earnings per

share from continuing operations. Potential Common Shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is included based on its share of earnings per share of the investees multiplied by the number of shares held by the Company.

u. Intangible assets:

Separately acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Expenditures relating to internally generated intangible assets, excluding capitalized development costs, are recognized in profit or loss when incurred.

The Company acquired brand with indefinite life. The Company believes that it will use the asset perpetually, with no intention of discontinuing the brand in the future. Intangible assets with indefinite useful lives are not systematically amortized and are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. The useful life of these assets is reviewed annually to determine whether their indefinite life assessment continues to be supportable. If the events and circumstances do not continue to support the assessment, the change in the useful life assessment from indefinite to finite is accounted for prospectively as a change in accounting estimate and on that date the asset is tested for impairment. Commencing from that date, the asset is amortized systematically over its useful life.

Intangible assets with a finite useful life are amortized over their useful life and reviewed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each year end.

Amortization is calculated on a straight-line basis over the useful life of the assets as follows:

	Years
Cultivations and processing license	6-19
Customer relationships	5-19
Brand	9 - indefinite
Other intangibles	3-9

v. Government grants:

A government grant is recorded as a reduction of expenses or the cost of a related asset when there is reasonable assurance that the entity will comply with the relevant conditions and the grant will be received. When a government grant is for the purchase of an asset, the cost of the asset is reduced by the value of the grant on acquisition if all conditions for the grant are met and it is reasonably certain to be received, resulting in a reduction of depreciation expense over the useful life of the asset in the statement of profit and loss.

w. Treasury shares:

Company shares held by the Company and/or subsidiaries are recognized at cost of purchase and presented as a deduction from equity. Any gain or loss arising from a purchase, sale, issue or cancellation of treasury shares is recognized directly in equity.

x. Operating segments:

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments. The Company's Chief Executive Officer is the CODM. The Company has determined that it operates in three operating segments (see Note 23).

NOTE 3:- SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

In the process of applying the significant accounting policies, the Group has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

a. Judgments:

- Determining the fair value of share-based payment transactions:

  The fair value of share-based payment transactions is determined upon initial recognition by an acceptable option pricing model. The inputs to the model include share price, exercise price and assumptions regarding expected volatility, expected life of share option and expected dividend yield.

- Discount rate for a lease liability:

  When the Group is unable to readily determine the discount rate implicit in a lease in order to measure the lease liability, the Group uses an incremental borrowing rate. That rate represents the rate of interest that the Group would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. When there are no financing transactions that can serve as a basis, the Group determines the incremental borrowing rate based on its credit risk, the lease term and other economic variables deriving from the lease contract's conditions and restrictions. In certain situations, the Group is assisted by an external valuation expert in determining the incremental borrowing rate.

b. Estimates and assumptions:

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the

application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the reporting date and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Assessment of going concern:

  The use of the going concern basis of preparation of the financial statements. At each reporting period, management assesses the basis of preparation of the financial statements. These financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Group will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

NOTE 3:- SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (Cont.)

In arriving at this determination, the Group has undertaken a thorough review of the Group's cash flow forecast and potential liquidity risks. Cash flow projections have been prepared which show that the Group's operations will be cash generative during the period of at least 12 months from the date of approval of the consolidated financial statements.

- Biological assets and inventory:

  In calculating the value of the biological assets and inventory, management is required to make several estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices, expected yields for the cannabis plants, and oil conversion factors. The valuation of work-in-process and finished goods also requires the estimate of conversion costs incurred, which become part of the carrying amount for the inventory. The Group must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged. See Note 9 for further information.

- Legal claims:

  In estimating the likelihood of legal claims filed against the Group entities, the Group management rely on the opinion of its legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and legal precedents in respect of the different issues. Since the outcome of the claims may be determined in courts, the results could differ from these estimates.

- Deferred tax assets:

  Deferred tax assets are recognized for unused carryforward tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the timing and level of future taxable profits, its source and the tax planning strategy.

NOTE 3:- SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (Cont.)

- Impairment of goodwill:

  The Group reviews goodwill for impairment at least once a year. This requires management to make an estimate of the projected future cash flows from the continuing use of the cash-generating unit (or a group of cash-generating units) to which the goodwill is allocated and also to choose a suitable discount rate for those cash flows.

- Determining the fair value of an unquoted financial assets and liabilities:

  The fair value of unquoted financial assets in Level 3 of the fair value hierarchy is determined using valuation techniques, generally using future cash flows discounted at current rates applicable for items with similar terms and risk characteristics. Changes in estimated future cash flows and estimated discount rates, after consideration of risks such as liquidity risk, credit risk and volatility, are liable to affect the fair value of these assets.

NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION

a. Amendment to IAS 1, "Presentation of Financial Statements":

In January 2020, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" ("the Amendment") regarding the criteria for determining the classification of liabilities as current or non-current.

The Amendment includes the following clarifications:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION (Cont.)

The Amendment is effective for annual periods beginning on or after January 1, 2023 and must be applied retrospectively.

The Group is evaluating the possible impact of the Amendment on its current loan agreements.

b. Amendments to IFRS 3, "Business Combinations":

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework which are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting, that was issued in March 2018, without significantly changing its requirements.

The IASB added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately

According to the exception, liabilities and contingent liabilities within the scope of IAS 37 or IFRIC 21 will be recognized on the acquisition date according to the criteria in IAS 37 or IFRIC 21 and not according to the Conceptual Framework.

The Amendments also clarify that contingent assets do not qualify for recognition at the acquisition date.

The Amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

c. Amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors":

In February 2021, the IASB issued an amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors" ("the Amendment"), in which it introduces a new definition of "accounting estimates".

Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The Amendment clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

The Amendment is to be applied prospectively for annual reporting periods beginning on or after January 1, 2023 and is applicable to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Early application is permitted.

NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION (Cont.)

The Group is evaluating the effects of the Amendment on its financial statements.

d. Amendment to IAS 12, "Income Taxes":

In May 2021, the IASB issued an amendment to IAS 12, "Income Taxes" ("IAS 12"), which narrows the scope of the initial recognition exception under IAS 12.15 and IAS 12.24 ("the Amendment").

According to the recognition guidelines of deferred tax assets and liabilities, IAS 12 excludes recognition of deferred tax assets and liabilities in respect of certain temporary differences arising from the initial recognition of certain transactions. This exception is referred to as the "initial recognition exception". The Amendment narrows the scope of the initial recognition exception and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from transactions that are not a business combination and that give rise to equal taxable and deductible temporary differences, even if they meet the other criteria of the initial recognition exception.

The Amendment applies for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. In relation to leases and decommissioning obligations, the Amendment is to be applied commencing from the earliest reporting period presented in the financial statements in which the Amendment is initially applied. The cumulative effect of the initial application of the Amendment should be recognized as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at that date.

The Group estimates that the initial application of the Amendment is not expected to have a material impact on its financial statements.

NOTE 5:- BUSINESS COMBINATIONS

Trichome Financial Corp.

On March 18, 2021, the Company acquired Trichome Financial Corp. (“Trichome” or "TFC"), a Canadian adult-use recreational cannabis producer (the "Trichome Transaction").

The Trichome Transaction was completed pursuant to the terms and subject to the conditions of arrangement agreement dated December 30, 2020 (the "Arrangement Agreement"), whereby the Company agreed to acquire all of the issued and outstanding Trichome Shares under a statutory plan of arrangement under the *Business Corporations Act* (Ontario) ("OBCA").

In accordance with the terms of the Arrangement Agreement, former holders of Trichome Shares received 0.24525 IMC Common Shares for each Trichome Share previously held (the “Exchange Ratio”) and former holders of Trichome in-the-money convertible instruments received a net payment of IMC Shares based on the Exchange Ratio (the “Consideration”).

Upon completion of the Trichome Transaction, the total Consideration paid to former holders of Trichome Shares and in-the-money convertible instruments equaled to the issuance of 10,104,901 Common Shares, valued at approximately $ 99,028 at the market price per share of $ 9.8 on the date of the acquisition. The results of operations of Trichome were consolidated in the Company's consolidated financial statements commencing on the date of acquisition.

The Group recognized the fair value of the assets acquired and liabilities assumed in the business combination based on a valuation study prepared by management with the assistance of an external valuation specialist.

Upon acquisition, other payables of Trichome include approximately $ 8,131 to settle withholding tax liabilities to Canada Revenue Agency (“CRA”), with a corresponding indemnification asset comprised of 927,463 IMCC’s Common Shares withheld to cover the tax liabilities (the "Purchaser Balance Shares"). In addition, in connection with the Trichome Transaction, certain directors and officers of Trichome and TJAC, one of which is currently serving as chairman of the board of directors of the Company, agreed to indemnify and hold harmless the Company, Trichome, and TJAC against 75% of the withholding tax liabilities to CRA. Each indemnifying director or officer agreed to indemnify for: (a) 75% of such liability that is on account of such director or officer’s personal Canadian income tax liability, plus (b) jointly and severally indemnify 75% of any liability for penalties and interest in connection with the withholding tax liabilities to CRA (other than penalties and interest included in (a)).

In addition, subsequent to the reporting period, on January 6, 2022, the Company and certain former Trichome directors, one of which is currently serving as chairman of the Company's board of directors, signed an amendment to the tax indemnification agreement, and agreed to indemnify and hold harmless the Company and pay the Company the following amounts in cash as soon as practicable and in no event no later than February 28, 2022: (a). any portion of remittance to the CRA on account of any non-residence Canadian estimated at approximately $ 1,886, plus (b) 75% of any liabilities for penalties up to December 31, 2021 and 100% of any penalties from January 1, 2022 onward (estimated at approximately $604), and indemnify 75% of any liabilities for interest through December 31, 2021 and 100% of any interest from January 1, 2022 (estimated at approximately $342), in connection with the withholding tax liabilities to CRA (other than penalties and interest included in (a) above), plus (c) To the extent not captured above in sections (a) and (b), 100% of the withholding taxes tax liabilities, subtracting all cash proceeds received by Trichome or IMC from the sale of the Purchaser Balance Shares.

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

As of the date of the issuance of these consolidated financial statements, the former Trichome director and current chairman of the Company's board of director, transferred the Company cash in the amount of $3,250. Further, on March 30, 2022, the Company and the former Trichome director and current chairman of the Company's board of director, entered into several security agreements under which the former Trichome director and current chairman of the Company's board of director pledged 833,508 Common Shares and 275,125 vested RSU’s in favor of the Company to secure the indemnification asset for the remaining tax withholding liability. Such pledge of securities was registered in Ontario and British Columbia.

On March 18, 2021, 700,000 options were granted to Trichome’s employees under the 2018 Plan (see Note 18).

Acquisition costs of Trichome include the issuance of 50,525 Common Shares, valued at $ 495 to financial advisors for advisory fees in connection with the Trichome Transactions.

Trichome's revenue and net loss included in the Company’s consolidated financial statements of profit or loss and other comprehensive income (loss) since date of acquisition through December 31, 2021, were $9,223 and $(17,983), respectively.

Had the Trichome Transaction occurred on January 1, 2021, the Company's proforma results for the year ended December 31, 2021, would have been as follows:

	Proforma results for the year ended December 31, 2021
Revenues	$ 55,563
Net loss	$ (25,372)

These proforma results are based on estimates and assumptions, which the Company believes are reasonable. They are not necessarily the results that would have been realized had the Company and TFC been a combined company during the period presented and are not necessarily indicative of the Company's consolidated results of operations in future periods. The proforma results include adjustments related to purchase accounting, primarily amortization of intangible assets, depreciation related to the excess of fair value over cost attributable to purchased property, plant and equipment and elimination of inter-company transactions.

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

MYM Nutraceuticals Inc.

On July 9, 2021, the Company, through its wholly owned subsidiary, Trichome, completed the acquisition of MYM Nutraceuticals (“MYM”). MYM is a Canadian cultivator, processor, and distributor of premium cannabis via its two wholly owned subsidiaries; SublimeCulture Inc. (“Sublime”) located near Montreal, Quebec, and Highland Grow Inc. (“Highland”), located in Antigonish, Nova Scotia. MYM’s flagship brand, Highland, is an ultra-premium brand sold in most provinces throughout Canada.

The Company acquired all the issued and outstanding shares of MYM. The Company acquired MYM's licensed producer subsidiary Highland Grow Inc., pursuant to a plan of arrangement under the Business Corporations Act in British Columbia. Under the terms of the MYM Transaction, the shareholders of MYM received 0.022 Common Shares of IMCC for each common share of MYM. As a result of the MYM transaction, a total of 10,073,437 Common Shares were issued to the MYM former shareholders and financial advisors, resulting in former MYM shareholders holding approximately 15% of the total number of issued and outstanding Common Shares immediately after closing. Total consideration of the issued shares, warrants and stock options valued at approximately $62,620.

The Company recognized the fair value of the assets acquired and liabilities assumed in the business combination based on a preliminary valuation study prepared by management with the assistance of an external valuation specialist.

Acquisition costs of MYM include the issuance of 49,802 Common Shares, valued at $312 to financial advisors for advisory fees in connection with the MYM Transactions.

MYM's revenue and net profit included in the Company’s consolidated financial statements of profit or loss and other comprehensive income (loss) since date of acquisition through December 31, 2021, were $11,024 and $130, respectively.

The goodwill arising on acquisition is attributed to the expected benefits from the synergies of the combination of the activities of the Group including Trichome and MYM.

Had the MYM Transaction occurred on January 1, 2021, the Company's proforma results for the year ended December 31, 2021, would have been as follows:

	Proforma results for the year ended December 31, 2021
Revenues	$ 61,639
Net loss	$ (20,132)

These proforma results are based on estimates and assumptions, which the Company believes are reasonable. They are not necessarily the results that would have been realized had the Company and MYM been a combined company during the period presented and are not necessarily indicative of the Company's consolidated results of operations in future periods. The proforma results include adjustments related to purchase accounting, primarily amortization of intangible assets, depreciation related to the excess of fair value over cost attributable to purchased property, plant and equipment and elimination of inter-company transactions.

Panaxia's Assets and Operations

On April 30, 2021, the Company acquired all Panaxia's online-related activities and intellectual property. The aggregate purchase price of NIS 18.7 million (approximately $7,000). In order to complete the acquisition, the Company will issue Common Shares in the aggregate amount of NIS 11.1 million (approximately $4,200).

During 2021, the Company issued the four installments of the Panaxia Consideration Shares, in the aggregate amount of 934,755, at a various of share price ranging between US$5.01 to US$3.1. The total consideration represents an aggregate amount of US$3,397 thousand (approximately

$4,290). The fifth and final installment of Panaxia Consideration Shares will be issued following the Panaxia GDP License Closing.

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

The acquisition is accounted for under IFRS 3 as a business combination. Accordingly, the Group recognized the fair value of the assets acquired and liabilities assumed in the business combination based on a preliminary valuation study prepared by an external valuation specialist.

As part of the acquisition, the Company purchased an option to purchase the Panaxia pharmacy, including cannabis-related licenses (see Note 1 (9)). As the exercise price of the option relates only to the medical cannabis inventory at the date of exercise, the Company has allocated $2,837 of the non-cancellable purchase price to effectively reflect the Company's advance payment for the estimated fair value of the licenses and other assets of the Panaxia pharmacy that will be acquired upon exercise of the option.

The goodwill arising on acquisition is attributed to the expected benefits from the synergies of the combination of the activities of the Group and Panaxia's acquired assets.

Panaxia's results of operation for the acquisition date through December 31, 2021, were immaterial to the consolidated financial statements.

Pharm Yarok pharmacy

On July 28, 2021, IMC Holdings entered into a definitive agreement to acquire all of the issued and outstanding share of R.A. Yarok Pharm Ltd., Rosen High Way Ltd. and High Way Shinua Ltd. (collectively "Pharm Yarok Group"). The aggregate consideration for the Pharm Yarok Group acquisition was NIS 11,900 thousand (approximately $4,600), of which approximately NIS 3,500 thousand (approximately $1,300) shall be invested by the shareholders of Pharm Yarok Group in the Company at closing in consideration for Common Shares. The closing of the Pharm Yarok Group acquisition is conditional upon receipt of all requisite approvals, including from the MOH**,** which granted its approval subsequent to December 31, 2021, on February 15, 2022.

The acquisition is accounted for under IFRS 3 as a business combination. Accordingly, the Company recognized the fair value of the assets acquired and liabilities assumed in the business combination based on a preliminary valuation study prepared by management, with the assistance of an external valuation specialist.

Pharm Yarok Group's revenue and net profit included in the Company's consolidated financial statements of profit or loss and other comprehensive income (loss) since date of acquisition through December 31, 2021, were $4,897 and $1, respectively.

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

Had the Pharm Yarok Group Transaction occurred on January 1, 2021, the Company's proforma results for the year ended December 31, 2021, would have been as follows:

	Proforma results for the year ended December 31, 2021
Revenues	$ 58,345
Net loss	$ (18,986)

These proforma results are based on estimates and assumptions, which the Company believes are reasonable. They are not necessarily the results that would have been realized had the Company and Pharm Yarok Group been a combined company during the period presented and are not necessarily indicative of the Company's consolidated results of operations in future periods. The proforma results include adjustments related to purchase accounting, primarily amortization of intangible assets, depreciation related to the excess of fair value over cost attributable to purchased property, plant and equipment and elimination of inter-company transactions.

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

Vironna pharmacy

On August 16, 2021, IMC Holdings has signed a definitive agreement to acquire 51% of the outstanding ordinary shares of Revoly Trading and Marketing Ltd. ("Vironna") for a total consideration of NIS 8,500 thousand (approximately $3,300), of which NIS 5,000 thousand (approximately $1,950) in cash and NIS 3,500 thousand (approximately $1,350) is in common shares of the Company to be issued at closing of Vironna transaction. The closing is conditional upon receipt of all requisite approvals, including from the MOH, which granted its approval subsequent to December 31, 2021, on February 15, 2022.

The goodwill arising on acquisition is attributed to the expected benefits from the synergies of the combination of the activities of the Group and the pharmacies. The Group has elected to measure the non-controlling interest in this business combination based on the fair value of the identifiable net assets acquired (excluding goodwill).

The acquisition is accounted for under IFRS 3 as a business combination. Accordingly, the Company recognized the fair value of the assets acquired and liabilities assumed in the business combination based on a preliminary valuation study prepared by management, with the assistance of an external valuation specialist.

Had the Vironna Transaction occurred on January 1, 2021, the Company's proforma results for the year ended December 31, 2021, would have been as follows:

		Proforma profit or loss for the year ended December 31, 2021
Revenues	$	56,816
Net loss	$	(18,180)

These proforma results are based on estimates and assumptions, which the Company believes are reasonable. They are not necessarily the results that would have been realized had the Company and Vironna been a combined company during the period presented and are not necessarily indicative of the Company's consolidated results of operations in future periods. The proforma results include adjustments related to purchase accounting, primarily amortization of intangible assets, depreciation related to the excess of fair value over cost attributable to purchased property, plant and equipment and elimination of inter-company transactions.

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

Oranim pharmacy

On December 1, 2021, IMC Holdings signed a definitive agreement to acquire 51% of the rights in Oranim Pharm, one of the largest pharmacies selling medical cannabis in Israel and the largest pharmacy selling medical cannabis in the Jerusalem area, by acquiring 51.3% of the outstanding shares of Oranim Plus, which holds 99.5% of the rights in Oranim Pharm (the “Oranim Transaction”).

The Oranim Transaction closed on March 28, 2022, upon receipt of all requisite approvals, including the approval of the MOH, for an aggregate consideration of NIS 11,940 (approximately $4,900), consisting of NIS 5,202 (approximately $2,104) paid in cash upon signing, NIS 5,202 (approximately $2,104) which will be paid in cash on the first quarter of 2023 and NIS 1,536 (approximately $630) paid in 251,001 Common Shares on March 30, 2022. The number of Oranim Consideration Shares issuable was calculated based on the average closing price of the IM Cannabis’s common shares on the NASDAQ over the 14 trading day period immediately preceding closing of the Oranim Transaction.

The acquisition is accounted for under IFRS 3 as a business combination. Accordingly, the Company recognized the fair value of the assets acquired and liabilities assumed in the business combination based on a preliminary valuation study prepared by management, with the assistance of an external valuation specialist.

Oranim's revenue and net profit included in the Company’s consolidated financial statements of profit or loss and other comprehensive income (loss) since date of acquisition through December 31, 2021, were $1,410 and $46, respectively.

Had the Oranim Transaction occurred on January 1, 2021, the Company's proforma results for the year ended December 31, 2021, would have been as follows:

		Proforma profit or loss for the year ended December 31, 2021
Net revenues	$	67,589
Net loss	$	(17,870)

These proforma results are based on estimates and assumptions, which the Company believes are reasonable. They are not necessarily the results that would have been realized had the Company and Oranim been a combined company during the period presented and are not necessarily indicative of the Company's consolidated results of operations in future periods. The proforma results include adjustments related to purchase accounting, primarily amortization of intangible assets, depreciation related to the excess of fair value over cost attributable to purchased property, plant and equipment and elimination of inter-company transactions.

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

The fair value of the identifiable assets acquired and liabilities assumed on the acquisition date:

	Fair value					
	TFC	MYM	Vironna	Pharm Yarok	Oranim	Panaxia
Assets						
Cash and cash equivalents	$ 362	$ 131	$ 57	$ 105	$ 485	$ -
Trade and other receivables	3,240	2,548	259	456	1,329	-
Indemnification asset	8,131	-	-	-	-	-
Biological assets	785	63	-	-	-	-
Inventory	3,883	4,180	639	346	1,043	19
Loan receivable	8,470	2,122	-	-	-	-
Investments	-	-	-	-	-	2,837
Property, plant and equipment	15,193	6,105	210	1,145	389	88
Derivative assets	114	-	-	-	-	-
Right of use assets	15,037	630	-	-	1,312	-
Investments	319	-	-	-	-	-
Intangible assets	6,458	17,200	2,316	974	2,991	776
Total identifiable assets	61,992	32,979	3,481	3,026	7,549	3,720
Liabilities						
Trade and other payables	(15,196)	(4,442)	(854)	(1,448)	(1,777)	-
Bank loans	-	(915)	-	-	-	-
Lease liability	(15,037)	(873)	-	-	(1,312)	-
Long term loans	-	-	-	(1,042)	-	-
Deferred tax, net	-	(4,061)	(532)	(224)	(688)	-
Total identifiable liabilities	(30,233)	(10,291)	(1,386)	(2,714)	(3,777)	-
Total identifiable assets, net	31,759	22,688	2,095	312	3,772	3,720
Goodwill arising on acquisition	67,269	39,932	2,250	4,294	2,907	3,240
Non-Controlling interest	-	-	(1,026)	-	(1,849)	-
Total purchase price	$ 99,028	$ 62,620	$ 3,319	$ 4,606	$ 4,830	$ 6,960

NOTE 6:- TRADE RECEIVABLES

	December 31,	
	2021	2020
Wholesalers and pharmacies	$ 16,711	$ 5,501

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. As of December 31, 2021 and 2020, there were no material past-due receivables.

Major customers data as a percentage of total revenues:

	December 31,	
Reporting segment	2021	2020

Customer A	Canada	17%	-
Customer B	Israel	8%	35%

NOTE 7:- OTHER ACCOUNTS RECEIVABLE

	December 31,	
	2021	2020
Prepaid expenses	$ 2,716	$ 472
Government authorities	2,338	75
Related parties (see Note 21)	11	36
Indemnification assets (see Note 5)	2,112	-
Other receivables (including related parties - see Note 5)	7,304	106
	$ 14,481	$ 689

NOTE 8:- BIOLOGICAL ASSETS

The Group's biological assets consist of cannabis plants. The changes in the carrying value of biological assets are as follows:

Balance at of January 1, 2020	$ 52
Production costs capitalized	2,717
Changes in fair value less cost to sell due to biological transformation	11,782
Transferred to inventory upon harvest	(14,478)
Foreign exchange translation	5
Balance at of December 31, 2020	78
Additions related to acquisitions of Trichome and MYM	848
Production costs capitalized	10,454
Changes in fair value less cost to sell due to biological transformation	7,210
Transferred to inventory upon harvest	(16,977)
Foreign exchange translation	74
Balance at of December 31, 2021	$ 1,687

As of December 31, 2021, the weighted average fair value less cost to sell was $ 2.48 per gram.

The fair value of biological assets is categorized within Level 3 of the fair value hierarchy.

The inputs and assumptions used in determining the fair value of biological assets include:

1. Selling price per gram - calculated as the weighted average historical selling price for all strains of cannabis sold by the Group, which is expected to approximate future selling prices.

2. Post-harvest costs - calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants post-harvest, consisting of the cost of direct and indirect materials, depreciation and labor as well as labelling and packaging costs.

3. Attrition rate - represents the weighted average percentage of biological assets which are expected to fail to mature into cannabis plants that can be harvested.

4. Average yield per plant - represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant.

5. Stage of growth - represents the weighted average number of weeks out of the average weeks growing cycle that biological assets have reached as of the measurement date. The growing cycle is approximately 12 weeks.

NOTE 8:- BIOLOGICAL ASSETS (Cont.)

The following table quantifies each significant unobservable input, and also provides the impact a 10% increase/decrease in each input would have on the fair value of biological assets:

	December 31,		10% change as at December 31,	
	2021	2020	2021	2020
Average selling price per gram of dried cannabis (in CAD)	$ 3.64	$ 6.01	$ 296	$ 8.86
Average post-harvest costs per gram of dried cannabis (in CAD)	$ 1.16	$ 0.83	$ 140	$ 0.23
Attrition rate	27%	5%	100	0.43
Average yield per plant (in grams)	47	54	228	7.64
Average stage of growth	47%	4%	212	7.64

These estimates are subject to volatility in market prices and a number of uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

The Group's estimates are, by their nature, subject to change including differences in the anticipated yield. These changes will be reflected in the gain or loss on biological assets in future periods.

NOTE 9:- INVENTORIES

	December 31, 2021		
	Capitalized costs	Fair valuation adjustment, net	Carrying value
Work in progress:			
Bulk cannabis	$ 14,113	$ 3,336	$ 17,449
Other cannabis products	1,074	-	1,074
Finished goods:			
Packaged dried cannabis	8,974	270	9,244
Other cannabis products	744	-	744
Other products	880	-	880
Balance as of December 31, 2021	$ 25,785	$ 3,606	$ 29,391

NOTE 9:- INVENTORIES (Cont.)

	December 31, 2020		
	Capitalized costs	Fair valuation adjustment, net	Carrying value
Work in progress:			
Bulk cannabis	$ 2,130	$ 4,728	$ 6,858
Finished goods:			
Packaged dried cannabis	363	603	966
Other	546	-	546
Balance as of December 31, 2020	$ 3,039	$ 5,331	$ 8,370

During the years ended December 31, 2021 and 2020, inventory expensed to cost of revenue of cannabis products was $ 43,720 and $17,203, respectively, which included $8,796 and $10,122 of non-cash expense, respectively, related to the changes in fair value of inventory sold.

In addition, during the years ended December 31, 2021 and 2020, write-downs of inventories recognized in cost of revenue amounted to $ nil and $291, respectively.

Cost of revenues in 2021 and 2020, also include production overhead not allocated to costs of inventories produced and recognized as an expense as incurred.

NOTE 10:- PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS, NET

	Buildings and improvements	Greenhouse production equipment	Greenhouse structure	Computer, software and equipment	Motor vehicles	Total
Cost:						
Balance as of January 1, 2020	$ 1,675	$ 1,534	$ 884	$ 174	$ 19	$ 4,286
Additions during the year	705	1,123	648	95	44	2,615
Foreign currency translation	97	104	63	10	2	276
Balance, December 31, 2020	2,477	2,761	1,595	279	65	7,177
Additions during the year	1,932	1,846	508	261	31	4,578
Additions related to acquisitions	18,828	3,584	-	455	263	23,130
Foreign currency translation	(81)	79	79	44	11	132
Balance December as of 31, 2021	23,156	8,270	2,182	1,039	370	35,017
Accumulated depreciation:						
Balance as of January 1, 2020	46	534	280	26	8	894
Depreciation during the year	132	350	147	52	9	690
Foreign currency translation	6	35	17	3	-	61
Balance, December 31, 2020	184	919	444	81	17	1,645
Depreciation during the year	1,554	993	206	241	27	3,021
Foreign currency translation	4	40	26	11	2	83
Balance as of December 31, 2021	1,742	1,952	676	333	46	4,749
December 31, 2021	$ 21,414	$ 6,318	$ 1,506	$ 706	$ 324	$ 30,268
December 31, 2020	$ 2,293	$ 1,842	$ 1,151	$ 198	$ 48	$ 5,532

NOTE 11:- INTANGIBLE ASSETS, NET

	Cultivations and processing license *)	Customer relationships	Brand	Other	Total
Cost:					
Balance as of January 1, 2020	$ 831	$ 58	$ 63	$ 62	$ 1,014
Purchases	93	-	-	-	93
Fair value adjustment derived from purchase price allocation	110	-	-	-	110
Foreign currency transaction	26	-	-	6	32
Balance as of December 31, 2020	1,060	58	63	68	1,249
Initial consolidations	8,950	10,337	11,300	128	30,715
Foreign currency transaction	(49)	279	-	6	236
Balance as of December 31, 2021	9,961	10,674	11,363	202	32,200
Accumulated amortization and impairment:					
Balance as of January 1, 2020	125	-	-	-	125
Amortization recognized in the year	31	-	-	-	31
Foreign currency transaction	-	-	-	1	1
Balance as of December 31, 2020	156	-	-	1	157
Amortization recognized in the year	618	469	8	63	1,158
Balance as of December 31, 2021	774	469	8	64	1,315

Amortized cost at December 31, 2021	$ 9,187	$ 10,205	$ 11,355	$ 138	$ 30,885
Amortized cost at December 31, 2020	$ 904	$ 58	$ 63	$ 67	$ 1,092

*) The licenses consist of GMP and GDP licenses.

NOTE 11:- INTANGIBLE ASSETS, NET

Impairment of goodwill and intangible assets:

Adjupahrm's recoverable amounts of the intangible assets and the goodwill were determined based on the value in use which is calculated at the expected estimated future cash flows, as determined according to the budget for the next three years and approved by the Company's management. The pre-tax discount rate of the cash flows is 13.06%. The projected cash flows for the period exceeding three years was estimated using a fixed growth rate of 3%, representing the long-term average growth rate as customary in Adjupharm's business. For the year ended December 31, 2021, the Company recorded a goodwill impairment in the amount of $275 with respect to Adjupharm.

Trichome's recoverable amounts of the intangible assets and the goodwill were determined based on the value in use which is calculated at the expected estimated future cash flows, as determined according to the budget for the next three years and approved by the Company's management. The pre-tax discount rate of the cash flows is 11.78%. The projected cash flows for the period exceeding three years was estimated using a fixed growth rate of 4%, representing the long-term average growth rate as customary in Trichome's business. Based on the analysis performed the Company did not record goodwill impairment.

Acquisitions during the year:

In 2021, the Group entered into several business combination transactions. As part of these acquisitions, the Group identified cultivations and processing licenses, customer relationship, brand and others. The intangible assets identified have finite life and are being amortized on a straight-line basis over the useful life of the assets. During the year ended on December 31, 2021 and 2020, the Group recorded amortization expenses in the amount of $1,158 and $31, respectively. The amortization expenses are included in the cost of revenues and in the selling and marketing expenses.

NOTE 12:- RIGHT-OF-USE ASSETS

	Land and buildings	Motor vehicles	Total
Cost:			
Balance as of January 1, 2020	$ 955	$ 195	$ 1,150
Additions during the year:			
New leases	-	107	107
Currency translation adjustments	50	12	62
Disposals during the year:			
Termination of leases	-	(73)	(73)
Balance as of December 31, 2020	1,005	241	1,246
Additions during the year:			
New leases	1,408	270	1,678
Initial consolidations	16,956	23	16,979
Currency translation adjustments	145	12	157
Balance as of December 31, 2021	19,514	546	20,060
Accumulated depreciation:			
Balance as of January 1, 2020	-	-	-
Additions during the year:			
Depreciation and amortization	$ 80	$ 47	$ 127
Currency translation adjustments	107	102	209
Disposals during the year:	7	3	10
Termination of leases	-	(35)	(35)
Balance as of December 31, 2020	194	117	311
Additions during the year:			

Depreciation and amortization	1,438	112	1,550
Currency translation adjustments	27	10	37
Balance as of December 31, 2021	1,659	239	1,898
Depreciated cost at December 31, 2021	$ 17,855	$ 307	$ 18,162
Depreciated cost at December 31, 2020	$ 811	$ 124	$ 935

The Group has entered into leases of land, buildings and motor vehicles which are used for the Group's operations.

Leases of buildings have lease terms of between 5 and 12 years, whereas leases of motor vehicles usually have lease terms of 3 years.

NOTE 13:- EMPLOYEE BENEFIT ASSETS AND LIABILITIES

Employee benefits consist of short-term benefits and post-employment benefits.

Post-employment benefits:

According to the labor laws and Severance Pay Law in Israel, the Group is required to pay compensation to an employee upon dismissal or retirement or to make current contributions in defined contribution plans pursuant to Section 14 to the Severance Pay Law, as specified below. The Group's liability is accounted for as a post-employment benefit only for employees not under Section 14. The computation of the Group's employee benefit liability is made in accordance with a valid employment contract or a collective employees agreement based on the employee's salary and employment term which establish the entitlement to receive the compensation.

The post-employment employee benefits are normally financed by contributions classified as defined benefit plans, as detailed below:

a. Defined benefit plans:

The Group accounts for the payment of compensation, that is not covered by contributions in defined contribution plans, as above, as a defined benefit plan for which an employee benefit liability is recognized and for which the Group deposits amounts in a long-term employee benefit fund and in qualifying insurance policies.

b. Expenses recognized in the consolidated statements of profit or loss and other comprehensive income:

	Year ended December 31,	
	2021	2020
Current service cost	$ 146	$ 166
Interest expenses	14	10
Total employee benefit expenses	160	176
Interest income on plan assets	$ 7	$ 4

c. The defined benefit liability (asset), net:

	December 31,	
	2021	2020
Defined benefit obligation	$ 668	$ 588
Fair value of plan assets	(277)	(217)
Net defined benefit liability	$ 391	$ 371

NOTE 13:- EMPLOYEE BENEFIT ASSETS AND LIABILITIES (Cont.)

d. Changes in the present value of defined benefit liabilities:

	2021	2020
Balance at January 1,	$ 588	$ 390

Current service cost	146	166
Interest expenses	14	10
Benefits paid	(50)	(23)
Re-measurement loss on defined benefit plans	(33)	32
Foreign currency translation effect	3	13
Balance at December 31,	$ 668	$ 588

e. Changes in the fair value of plan assets:

Plan assets comprise assets held by a long-term employee benefit funds and qualifying insurance policies.

	2021	2020
Balance at January 1,	$ 217	$ 128
Interest income	7	4
Return, net of interest income - remeasurement gain (loss)	(12)	2
Benefits paid	(50)	(23)
Amounts deposited	116	101
Foreign currency translation effect	(1)	5
Balance at December 31,	$ 277	$ 217

f. The principal assumptions underlying the defined benefit plan:

	2021	2020
	%	
Discount rate	3.5	2.58
Salary growth	4.64	3.37

Based on reasonably possible changes of the principal assumptions underlying the defined benefit plan as mentioned above, occurring at the end of the reporting period, the changes would have an immaterial effect on the consolidated financial statements.

NOTE 14:- OTHER PAYABLES

	December 31, 2021	December 31, 2020
Accrued expenses	$ 6,146	$ 407
Employees and payroll accruals	8,267	1,545
Government authorities	4,002	642
Related parties	875	-
Advances from customers	137	741
Other payables	716	162
	$ 20,143	$ 3,497

NOTE 15:- FINANCIAL INSTRUMENTS

The carrying values of the financial instruments which are measured at fair value through profit and loss as of December 31, 2021, and 2020, summarized in the following table:

	December 31, 2021	December 31, 2020	Note
Financial assets:			
Investments	2,429	2,341	c,e
Derivative assets	14	-	
Financial liabilities:			
Warrants	6,022	16,540	b,d

a. Management believes that the carrying amount of cash and cash equivalents, restricted bank deposit, trade receivables, other accounts receivable, loans receivables, trade payables, bank loans, other account payables and accrued expenses and purchase consideration payable, and approximate their fair value due to the short-term maturities of these instruments.

b. As of December 31, 2021 and 2020, there were nil and 9,729,264 2019 Warrants outstanding from private placements in 2019 (2019 Warrants). The Company re-measured the warrants, according to their trading price in the market, in the amount of $nil and $16,540, respectively (level 1 in fair value hierarchy). As a result, for the year ended December 31, 2021 and 2020, the Company recognized a revaluation gain (loss) of $15,929 and $(16,283), respectively, in the consolidated statement of profit or loss and other comprehensive income, which unrealized gain is included in finance income (expense). During 2021, amount of $611 of the 2019 Warrants transferred to equity and the rest expired.

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

c. On December 26, 2019, IMC entered into a share purchase agreement (the “SPA”) with Xinteza API Ltd. ("Xinteza"), a company with a unique biosynthesis technology.

The investment in the investee is accounted for as financial asset measured at fair value through profit or loss. The fair value of the investment as of December 31, 2021 and 2020, was $2,429 and $2,341, respectively.

As of December 31, 2021 and 2020, the fair value of the Xinteza was categorized within Level 3 of the fair value hierarchy. The fair value was based on financing rounds for the purchase of preferred shares during 2020 (see Note 24).

d. On May 10, 2021, the Company completed an overnight marketed offering (the “Offering”) of 6,086,956 Common Shares (each an “Offered Share”) at a price of US$5.75 per Offered Share for aggregate gross proceeds of approximately US$ 35 million ($42,502). The Company also issued 3,043,478 Common Share purchase warrants (each an “2021 Warrant”) to the purchasers of Offered Shares, for no additional consideration, that entitle the holders to purchase 3,043,478 Common Shares of the Company at an exercise price of US$ 7.2 per Common Share for a term of 5 years from the closing date.

As the exercise price of the 2021 Warrants is denominated in US dollars, which is not the functional currency of the Company, the 2021 Warrants are accounted for as a derivative liability, which is measured at fair value. Gross proceeds in the amount of $30,670 were recorded as Share capital and premium, and $11,832 were recorded as a Warrant liability, based on a valuation using the Black & Scholes option pricing model. The transaction costs incurred as a result of the Common Shares issuance amounted to approximately $3,800, of which approximately $1,296 (attributed to the issuance of the Warrants classified as liabilities) were recorded as an expense in the Company's consolidated statements of profit or loss and approximately $2,539 (attributed to the issuance of share capital) as a deduction from Share capital and premium.

As of December 31, 2021, there were 3,043,478 of 2021 Warrants outstanding and the Company re-measured the 2021 Warrants, according to Black & Scholes model, in the amount of $6,022. As a result, for the year ended December 31, 2021, the Company recognized a revaluation gain of $5,810 in the consolidated statement of profit or loss and other comprehensive income, which unrealized gain is included in finance income (expense).

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

The 2021 warrants fair value was measured using the Black & Scholes model with the following key assumptions:

	December 31, 2021	Sensitivity
Expected volatility	83 %	Increase (decrease) in key assumptions would result in increase (decrease) in fair value.
Expected life (in years)	4.342	
Risk-free interest rate	0.85%	Increase (decrease) in key assumptions would result in decrease (increase) in fair value.
Expected dividend yield	0%	
Fair value:		
Per Warrant (Canadian Dollar)	$1.979	
Total Warrants (Canadian Dollar in thousands)	$6,022	

e. Financial risk management:

The Group has exposure to the following risks from its use of financial instruments:

Share price risk:

The Group's investments in unlisted shares are sensitive to market price risk arising from uncertainties about future value of these investments. The Group manages the price risk through diversification and by placing limits on individual and total investment in shares.

The Company's Board of directors reviews and approves all decisions related to investments in shares.

At the reporting date, the Group's exposure to investments in unlisted shares measured at fair value was $ 2,429.

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

Credit risk:

The maximum credit exposure as of December 31, 2021, is the carrying amount of cash and cash equivalents, accounts receivable and other current assets. The Group does not have significant credit risk with respect to customers. All cash and cash equivalents are placed with major Israeli financial institutions.

Loan receivable credit risk is managed by each loan separately according to the Group's policy, procedures and control relating to the borrower's credit risk management. At the end of each period, the individual loan values are assessed based on a credit risk analysis. As of December 31, 2021, the Group had 2 loans outstanding (2020: nil loans) with a total balance of approximately $ 2.71 million.

The expected credit loss analysis is generally based on Management's understanding of the borrower's experience/integrity, financial health, business plans, capacity, products, customers, contracts, competitive advantages/disadvantages, and other pertinent factors when assessing credit risk. This would also include the assessment of the borrower's forecasts as well as taking into consideration any security and/or collateral the Company has on the outstanding balance.

As security on the loan receivable to Biome Grow Inc., the borrower holds approximately 744,000 IM Cannabis Corp. common shares, on December 31, 2021. These shares cannot be sold without the proceeds from any sale being provided to the Company as repayment for the loan until the balance is fully discharged.

As of December 31, 2021, the Company assessed the overall risk of the loan receivable balance and concluded that no expected credit loss under IFRS 9 was required.

Liquidity risk:

As of December 31, 2021, the Group's financial liabilities with liquidity risk consist of trade payables and other accounts payable which have contractual maturity dates within one year, bank loans and lease liabilities. The Group manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Group's working capital position at December 31, 2021, management considers liquidity risk to be low. The table below summarizes the maturity profile of the Group's bank loans and lease liabilities based on contractual undiscounted payments (including interest payments):

December 31, 2021:

	Less than one year	1 to 5 years	6 to 10 years	>10 years
Lease liabilities	$ 3,130	$ 11,781	$ 12,760	$ 2,620
Bank Loans	$ 9,502	-	-	-
Total	$ 12,632	$ 11,781	$ 12,760	$ 2,620

December 31, 2020:

	Less than one year	1 to 5 years	6 to 10 years	>10 years
Lease liabilities	$ 232	$ 547	$ 515	$ -

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

The maturity profile of the Group's other financial liabilities with liquidity risk (trade payables, other account payable and accrued expenses) as of December 31, 2021 and 2020, are less than one year.

Currency rate risk:

As of December 31, 2021, a portion of the Group's financial assets and liabilities held in Euro, NIS, USD and GBP consist of cash and cash equivalents in the amount of EUR 742 thousand (approximately $1,069), NIS 16,718 thousand (approximately $6,845), USD 1,136 thousand (approximately $1,447) and GBP 2 thousand (approximately $9) respectively. The Group's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties in NIS. The Group does not currently use foreign exchange contracts to hedge its exposure of its foreign currency cash flows as management has determined that this risk is not significant at this point of time.

f. Changes in liabilities arising from financing activities:

	Loans	Lease liabilities	Warrants	Total liabilities arising from financing activities
Balance as of January 1, 2020	$ -	$ 1,050	$ 197	$ 1,247
Additions for new leases	-	107	-	107
Cash flows	-	(250)	-	(250)
Conversion of warrant	-	-	(3,873)	(3,873)
Other changes	-	83	61	144
Effect of changes in fair value	-	-	20,155	20,155
Balance as of December 31, 2020	-	990	16,540	17,530
Issuance of new warrants	-	-	11,832	11,832
Additions for new loans	8,504	-	-	8,504
Additions for new leases	-	1,678	-	1,678
Additions related to acquisitions	1,957	17,222	-	19,179
Repayments	(700)	(1,980)	-	(2,680)
Effective interest	-	1,347	-	1,347
Other changes	133	117	(611)	(361)
Effect of changes in fair value	-	-	(21,739)	(21,739)
Balance as of December 31, 2021	$ 9,894	$ 19,374	$ 6,022	$ 35,290

NOTE 16:- CONTINGENT LIABILITIES, GUARANTEES, COMMITMENTS AND CHARGES

Legal proceedings:

a. On August 19, 2019, a motion was filed for approval of a class action (the "Motion") against 17 companies (the "Companies") operating in the field of medical cannabis in Israel, including Focus. The applicant's argument is that the Companies did not accurately mark the concentration of active ingredients in their products. The personal suit sum for every class member stands at NIS 15,585 ($5,900) and the total amount of the class action suit is estimated at NIS 686,000 ($259,000). On June 2, 2020, the Companies submitted their response to the Motion. The Companies argue in their response that the threshold conditions for approval of a class action were not met, since there is no reasonable possibility that the causes of action in the Motion will be decided in favor of the class group. On July 3, 2020, the applicant submitted his response to the Companies' response. On July 5, 2020 the applicant was absent from the hearing. As a result, on July 23, 2020, the Companies filed an application for a ruling of expenses, which received a response from the applicant on August 12, 2020, asking to decline this request. On September 21, 2020, the court ruled that the applicant would pay the Companies' expenses amount of NIS 750. On July 14, 2021 a hearing was held. The court recommended the parties to negotiate independently to avoid litigation, and if negotiations fail, then to begin mediation proceedings. The parties agreed to follow the court's recommendations, though the negotiations between the parties have not yet begun. On November 3, 2021 the court ruled the parties will file an update regarding the mediation procedure, in 30 days. The parties conducted unsuccessful negotiations and are now waiting for a court decision regarding the continuation of the proceedings.

At this preliminary stage, based on the opinion of its legal counsel, Focus' management cannot assess the chances of approval of the Motion nor the chances of the claims under the Motion being accepted if the Motion is approved. Therefore, no provision has been recorded in respect thereof.

b. On October 6, 2019, Focus received a decision regarding a petition that was filed against the MOH, concerning the new regulatory framework of the cannabis market and demanding that the court resolve as follows:

- that the MOH immediately suspend the implementation of the new regulation that harms, disproportionally, the medical cannabis patients;
- that the implementation of the new regulation, as is, would cause violation of constitutional rights of the medical cannabis patients; and
- that the MOH amend the flaws of the new regulation, prior to becoming effective, and to establish new regulations regarding labeling and use of pesticides.

According to the decision, Focus was attached to the proceedings and filed its response on November 12, 2019.

On March 8, 2020, the court decided to extend the validity of the interim injunction, so that the medical cannabis use licenses, which were extended under the decision, would continue to be valid until May 15, 2020, or 10 days after the date the MOH comes to a conclusion regarding the price control of medical cannabis products, whichever comes first, subject to another court decision.

NOTE 16:- CONTINGENT LIABILITIES, GUARANTEES, COMMITMENTS AND CHARGES (Cont.)

The court also decided that if a further extension of the period of the interim injunction is granted beyond May 15, 2020, to the extent required, it would be subject to medical surveillance by the attending physician, that his details of which were included in the patient's existing use license.

On October 29, 2020, the respondents represented by the State Attorney's Office filed an update notice stating that the Appeals Committee unanimously decided against imposing price controls on medical cannabis products and that the Prices Committee would hold a follow-up hearing in four months. The respondents also requested to update the Court again in two months.

On November 25, 2020, the petitioner submitted their response to the respondents' update notice.

On March 25, 2021, the respondents represented by the State Attorney's Office filed an updating notice stating that the Prices Committee had come to a decision against imposing price controls on medical cannabis products. However, the Prices Committee announced that it will issue a request for information to the corporations engaged in the medical cannabis market and assess the market every six months. Following the aforementioned, the respondents represented by the State Attorney's Office believe that the appeal should be rejected and the interim injunction should be canceled. On April 13, 2021, three of the respondents filed a response to the court, requesting to reject the appeal and to cancel the interim injunction.

On April 25, 2021, the petitioner filed a response to the update notice to the court, objecting to the position of the respondents represented by the State Attorney's Office, requesting the court to resolve as requested in the petition and grant the requested remedies to the petitioner. On July 6, 2021, the petitioner filed an urgent request to the court, to issue orders to the respondents represented by the State Attorney's Office, to request information from corporations engaged in the medical cannabis market in order to continue the examination of the market, according to the Prices Committee's announcement mentioned above, and requested the court to reschedule the hearing set to occur on September 19, 2021, to an earlier date. The petitioner's request was rejected by the court on July 7, 2021, and on September 19, 2021, a hearing was held. On November 16, 2021 the Supreme court of Israel ruled that motion will be deleted and interim injunction will be expired after 10 days. Following a request submitted by the petitioner on November 15, 2021, the Supreme court of Israel determined that the interim injunction will extend until March 1, 2022. Further requests submitted for an extension of the interim injunction were denied.

c. On July 11, 2021, the Company was informed that a claim (the "Construction Proceedings") was filed by the municipal committee presiding over planning and construction in southern Israel (the "Construction Committee") against Focus, Focus' directors and officers, and certain landowners, including Oren Shuster and Rafael Gabay, claiming for inadequate permitting for construction relating to the Focus Facility ("Construction Allegations"). A hearing was set to June 13, 2022.

At this preliminary stage, based on the opinion of its legal counsel, Focus' management cannot assess the chances of the claim advancing or the potential outcome of the Construction Proceedings.

NOTE 17:- TAXES ON INCOME

a. Tax rates applicable to the Group:

1. The Company and its Canadian subsidiaries are subject to tax rates applicable in Canada. The combined federal and provincial rate for 2021 and 2020 is 26.5%.

2. The Israeli subsidiaries are subject to Israeli corporate income tax rate of 23% in 2021 and 2020.

3. The German subsidiary is subject to weighted tax rate of approximately 29.1% (composed of Federal and Municipal tax).

b. Carryforward losses for tax purposes:

Carryforward operating tax losses of the Israeli subsidiaries total approximately $ 3,153, as of December 31, 2021. These losses can be carried forward to future years and offset against taxable income in the future without any time limitation. No deferred tax assets were recorded with regards to IMC Holdings ltd. since the Company does not anticipate to utilize the net operating losses in the foreseeable future.

Carryforward operating tax losses of the German subsidiary as of December 31, 2021, amounted to approximately $ 8,964. Accumulated tax losses can be carried forward without time restrictions and can be deducted from future profits and capital gains unless they exceed €1,000 thousand (approximately $1,441). Any excess of such amount will be limited to 60% of the profits or capital gains. Unused carried forward losses will be subject to such limitation in the future. No deferred tax assets were recorded with regards to the German subsidiary since the Company does not anticipate to utilize the net operating losses in the foreseeable future.

Carryforward operating tax losses of Canadian subsidiaries as of December 31, 2021, amounted to approximately $ 54,218. These losses can be carried forward to future years and offset against taxable income in the future without any time limitation. Deferred tax assets of approximately $1,542, relating to these losses were recognized in the financial statements.

NOTE 17:- TAXES ON INCOME (Cont.)

c. Income tax expense (benefit):

	Year ended December 31,	
	2021	2020
Current	$ 248	$ 25
Deferred, net	278	(66)
Income tax from previous years	(21)	303
	$ 505	$ 262

d. Deferred taxes:

	Statements of financial position		Statements of profit or loss	
	December 31,		Year ended December 31,	
	2021	2020	2021	2020
Deferred tax assets:				
Carryforward tax losses and other	1,542	769	892	(440)
Other deferred tax assets	14	-	(1)	-
	1,556	769	891	(440)
Deferred tax liabilities:				
Inventory and biological assets	863	1,239	(431)	385
Intangible assets	7,261	264	(189)	(11)
Other	7	-	7	-
	8,131	1,503	(613)	374
Translation differences			54	63
Deferred tax expenses, net			$ 278	$ (66)
Deferred tax liabilities, net	$ (6,575)	$ (734)		

The deferred taxes are reflected in the statements of financial position as follows:

	December 31,	
	2021	2020
Non-current assets	$ 16	$ 769
Non-current liabilities	$ 6,591	$ 1,503

The deferred taxes are computed based on the tax rates that are expected to apply upon realization.

NOTE 17:- TAXES ON INCOME (Cont.)

e. Reconciliation of tax expense and the accounting profit multiplied by the Company's domestic tax rate for 2021 and 2020:

	Year ended December 31,	
	2021	2020
Loss before income tax	$ (18,013)	$ (28,472)
Statutory tax rate in Canada 26.5%	(4,773)	(7,545)

Increase (decrease) in income tax due to:		
Non-deductible expenses (non-taxable income), net for tax purposes	(3,447)	6,306
Effect of different tax rate of subsidiaries	310	161
Adjustments in respect of current income tax of previous years	(21)	303
Recognition (derecognition) of tax benefit in respect of losses of previous years	846	(830)
Unrecognized tax benefit in respect of loss for the year	4,093	1,771
Utilization of losses not previously recognized	(1,466)	-
Change in tax benefits not recognized	5,252	-
Other adjustments	(289)	96
Income tax expense	$ 505	$ 262

NOTE 18:- EQUITY

a. Composition of share capital:

	December 31, 2021		December 31, 2020	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
	Number of shares			
Common Shares without par value	Unlimited	68,217,894	Unlimited	39,765,799

Common Shares confer upon their holders the right to participate in the general meeting where each Ordinary share has one voting right in all matters, receive dividends if and when declared and to participate in the distribution of surplus assets in case of liquidation of the Company.

NOTE 18:- EQUITY (Cont.)

On February 12, 2021, the Company's shareholders general meeting resolved to consolidated all of its issued and outstanding Ordinary shares on a four (4) to one (1) basis (the “Share Consolidation”). Following the Share Consolidation, the number of Listed Warrants outstanding was not altered; however, the exercise terms were adjusted such that four Listed Warrants are exercisable for one Ordinary Share following the payment of an adjusted exercise price of $5.20. The earnings per share, in these consolidated financial statements, give effect to the Share Consolidation for all periods presented.

b. Capital issuance during the reporting period:

On May 10, 2021, the Company completed an overnight marketed offering (the “Offering”) of 6,086,956 Common Shares (each an “Offered Share”) at a price of US$5.75 per Offered Share for aggregate gross proceeds of approximately US$ 35 million ($42,502). The Company also issued 3,043,478 Common Share purchase warrants (each an “2021 Warrant”) to the purchasers of Offered Shares, for no additional consideration, that entitle the holders to purchase 3,043,478 Common Shares of the Company at an exercise price of US$ 7.2 per Common Share for a term of 5 years from the closing date.

As the exercise price of the 2021 Warrants is denominated in US dollars, which is not the functional currency of the Company, the 2021 Warrants are accounted for as a derivative liability, which is measured at fair value. Gross proceeds in the amount of $30,670 were recorded as Share capital and premium, and $11,832 were recorded as a Warrant liability, based on a valuation using the Black & Scholes option pricing model. The transaction costs incurred as a result of the Common Shares issuance amounted to approximately $3,800, of which approximately $1,296 (attributed to the issuance of the Warrants classified as liabilities) were recorded as an expense in the Company's consolidated statements of profit or loss and approximately $2,539 (attributed to the issuance of share capital) as a deduction from Share capital and premium.

Pursuant to the terms of the Offering, the placement agents held an over-allotment option to purchase up to an additional 913,044 Offered Shares and 456,522 2021 Warrants on the same terms and conditions for a period of 30 days following the closing date. The over-allotment option was not exercised by the placement agents and expired as of June 30, 2021. The Company recorded expenses in the amount of approximately $800 under share-based compensation expenses with respect to the Offering.

The Offering was conducted pursuant to the Company's effective shelf registration statement on Form F-10 filed with the U.S. Securities and Exchange Commission and a corresponding Canadian shelf prospectus filed with the Securities Regulatory Authority in each of the provinces and territories of Canada and a final prospectus supplement which was filed with the SEC on May 5, 2021.

NOTE 18:- EQUITY (Cont.)

c. Changes in issued and outstanding share capital:

	Number of shares
Balance as of January 1, 2020	36,435,837
Common Shares issued as a result of Warrants and Compensation options exercised	3,169,769
Common Shares issued as a result of options exercises	160,193
Balance as of December 31, 2020	39,765,799
Common Shares issued as a result of Warrants and Compensation options exercised	633,784
Common Shares issued as a result of options exercises	517,346
Purchase of treasury common shares	(101,649)
Common Shares issued related secondary transaction and business combinations	27,402,614
Balance as of December 31, 2021	68,217,894

d. Share option plan:

Awards granted under the company's current plan which was approved by the board of directors on December 19, 2018 ("2018 Plan") are subject to vesting schedules and unless determined otherwise by the administrator of the 2018 Plan, generally vest following a period of three years from the applicable vesting commencement date, such that 33.3% of the awards vest on the first anniversary of the applicable vesting commencement date and 66.7% of the awards vest in eight equal installments upon the lapse of each three-month period thereafter. Subject to the discretion of the 2018 Plan administrator, if an award has not been exercised within seven years after the date of the grant, the award expires. As of December 31, 2021, 1,607,550 Ordinary shares are available for future grants under the 2018 Plan.

NOTE 18:- EQUITY (Cont.)

The fair value for options granted during the years ended December 31, 2021 and 2020, to the Group's employees, directors and advisors was estimated using the Black & Scholes option pricing model with the following assumptions:

	Year ended December 31,	
	2021	2020
Exercise price (in CAD)	$4.5 - $10.12	$1.6 - $8.56
Dividend yield (%)	-	-
Expected life of share options (Years)	3-4	2.77 - 9
Volatility (%)	80.61-83.68	74.8 - 80.39
Annual risk-free rate (%)	0.52-0.77	0.25 – 0.37
Share price (in CAD)	$10.02	$1.48 – $8.56

The weighted average fair value of each option on the grant date amounted to $ 4.16.

The following table lists the number of share options and the weighted average exercise prices of share options in the 2018 Plan:

	Year ended December 31, 2021	
	Number of options	Weighted average exercise price in CAD
Options outstanding at the beginning of the year	3,154,870	2.2
Options granted during the year	2,964,265	6.2
Options exercised during the year	(517,346)	2.43
Options forfeited during the year	(158,544)	4.08
Options outstanding at the end of year	5,443,245	3.91
Options exercisable at the end of year	1,888,480	2

NOTE 18:- EQUITY (Cont.)

	Year ended December 31, 2020	
	Number of options	Weighted average exercise price in CAD
Options outstanding at the beginning of the year	2,940,000	1.6
Options granted during the year	905,000	4.24
Options exercised during the year	(160,193)	1.8
Options forfeited during the year	(529,937)	1.8
Options outstanding at the end of year	3,154,870	2.2
Options exercisable at the end of year	1,328,770	1.8

The weighted average remaining contractual life for the share options outstanding as of December 31, 2021, and 2020 was 5.37 and 7.32 years respectively.

The share-based payment expenses for the year ended December 31, 2021 and 2020, amounted to $ 7,471 and $3,382, respectively.

The following table lists the number of restricted share units ("RSUs") as of December 31, 2021:

	Number of RSU
Outstanding at the beginning of the year	-
Granted during the year	550,000
Outstanding at the end of the year	550,000
Exercisable at the end of year	229,006

e. Other convertible securities:

As of December 31, 2021, there are 134,872, 2019 Compensation Units Options to acquire Compensation Units at a price of $ 1.05 per unit Each Compensation Unit consists of one IMCC Ordinary Share and one half IMCC Warrant, with each whole IMCC Warrant exercisable for one IMC Ordinary Share at an exercise price of $1.3. These Units are exercisable at any time until August 2022.

As of December 31, 2021, there are 182,609 compensation warrants. Each Compensation Warrant is exercisable for one Common Share at an exercise price of US$6.61 (approximately $8.42). These Warrants are exercisable at any time following the date that is six months after the date of the Compensation warrants agency agreement until the date that is the three and one half year anniversary of the agency agreement.

NOTE 19:- SELECTED STATEMENTS OF PROFIT OR LOSS DATA

	Year ended December 31,	
	2021	2020
Salaries and related expenses	$ 19,718	$ 6,897
Depreciation and amortization	$ 6,004	$ 930

NOTE 20:- NET EARNINGS (LOSS) PER SHARE

Details of the number of shares and income (loss) used in the computation of earnings per share:

	Year ended December 31,

	2021		2020	
	Weighted number of shares (in thousands)	Net loss attributable to equity holders of the Company	Weighted number of shares (in thousands)	Net loss attributable to equity holders of the Company
For the computation of basic net earnings	57,963	$ (17,763)	38,565	$ (28,698)
Effect of potential dilutive Ordinary shares - Warrants	1,810	(21,739)	-	-
For the computation of diluted net earnings	59,773	$ (39,502)	38,565	$ (28,698)

*) For 2021, and 2020, potentially dilutive securities (share options) were excluded from the calculation of diluted earnings per share as they are antidilutive.

**) Including the effect of Share Consolidation (See Note 18a).

NOTE 21:- RELATED PARTY BALANCES AND TRANSACTIONS

a. Balances and transactions:

The following table summarizes balances with related parties in the statements of financial position:

	December 31,	
	2021	2020
Other accounts receivables	$ 11	$ 36
Other accounts payables	$ 875	$ -

NOTE 21:- RELATED PARTY BALANCES AND TRANSACTIONS (Cont.)

The following table summarizes the transactions with related parties in the consolidated statements of profit or loss and other comprehensive income:

	Year ended December 31,	
	2021	2020
General and administrative expenses	$ 1,116	$ 617

Transactions with related parties mainly includes compensation for management services and bonus in the ordinary course of business and short-term lease payments.

b. Compensation of key management personnel of the Group:

The Company's key management personnel are the directors, senior executives and a managing company which provides the Company with key management personnel services.

	Year ended December 31,	
	2021	2020
Payroll and related expenses	$ 2,377	$ 2,005
Share-based compensation	$ 5,700	$ 2,791
Professional fees *)	$ 1,029	$ 1,391

*) Includes payments to shareholders for the years ended 2021 and 2020 of $ 455 and $534, respectively.

c. See Note 5 for indemnification agreement with a former director of TFC, currently serving as the Company's chairman of the board of directors.

NOTE 22:- SUMMARIZED FINANCIAL INFORMATION FOR PARTLY OWNED SUBSIDIARY

Summarized financial information for Focus as follows:

	December 31,	
	2021	2020
Statement of financial position at reporting date (as presented in Focus' financial statements):		
Current assets	$ 22,913	$ 16,531
Non-current assets	4,473	4,226
Current liabilities	(19,616)	(11,341)
Non-current liabilities	(1,883)	(2,274)
Total equity	$ 5,887	$ 7,142

	Year ended December 31,	
	2021	2020
Operating results (as presented in Focus' financial statements):		
Revenues	$ 14,747	$ 13,823
Net income (loss)	(1,524)	968
Other comprehensive income	37	(22)
Total comprehensive income (loss)	$ (1,487)	$ 946

	Year ended December 31,	
	2021	2020
Cash flows (as presented in Focus' financial statements):		
From operating activities	$ 2,346	$ 1,882
From investing activities	(783)	(1,656)
From financing activities	560	(184)
Effect of foreign exchange on cash and cash equivalents	169	39
Net increase in cash and cash equivalents	$ 2,292	$ 81

NOTE 23:- OPERATING SEGMENTS

a. Reporting operating segments:

	Israel	Canada	Germany	Adjustments	Total
Year ended December 31, 2021:					
Revenue	$ 25,431	$ 20,247	$ 8,622	$ -	$ 54,300
Segment loss	$ (10,654)	$ (15,353)	$ (5,142)	$ -	$ (31,149)
Unallocated corporate expenses				$ (7,240)	$ (7,240)
Total operating loss					$ (38,389)
Depreciation, amortization and impairment	$ 1,424	$ 3,879	$ 701	$ -	$ 6,004

	Israel	Canada	Germany	Adjustments	Total
Year ended December 31, 2020:					
Revenues	$ 13,826	$ -	$ 2,064	$ -	$ 15,890
Segment loss	$ (2,090)	$ -	$ (3,744)	$ -	$ (5,834)
Unallocated corporate expenses				$ (2,411)	$ (2,411)

Total operating loss					$ (8,245)
Depreciation, amortization and impairment	$ 617	$ -	$ 73	$ -	$ 690

NOTE 24:- SUBSEQUENT EVENTS

Revolving Credit

In January 2022, Focus entered into a Revolving Credit Facility with Bank Mizrahi (the "Mizrahi Facility"). The Mizrahi Facility is guaranteed by Focus assets. Advances from the Mizrahi Facility will be used for working capital needs.

The Mizrahi Facility has a total commitment of up to NIS 15,000 thousand (approximately $6,000) and has a one-year term for on-going needs and 6 months term for imports and purchases needs. The Mizrahi Facility is renewable upon mutual agreement by the parties. The borrowing base available for draw at any time throughout the Mizrahi Facility and is subject to several covenants to be measured on a quarterly basis. The Mizrahi Facility bears interest of Israeli Prime interest plus 1.5% (approximately 3.3%) per annum .

Xinteza

On February 24, 2022, IMC Holdings entered into a Simple Agreement for Future Equity (SAFE) with Xinteza, under which IMC Holdings invested US$100,000 (approximately $125), in exchange for additional future shares of Xinteza.

Closing of Pharm Yarok Transaction

On March 14, 2022, the Pharm Yarok Transaction closed upon receipt of all requisite approvals, including the IMCA approval, for an aggregate consideration of NIS 11,900 (approximately $4,600), of which NIS 8,400 (approximately $3,300) was paid in cash upon signing the definitive agreement, and NIS 3,500 (approximately $1,300) paid upon closing. The acquisition of the outstanding ordinary shares of HW Shinua is pending receipt of the requisite approval from the IMCA. In connection with closing of the Pharm Yarok Transaction, the Company completed a non-brokered private placement with former shareholders of Pharm Yarok and Rosen High Way on March 14, 2022. A total of 523,700 Common Shares were issued at a deemed price of $2.616 for aggregate proceeds of $1,370. The calculation of the deemed price was based on the average closing price of Common Shares on the CSE over the 8 trading day period immediately preceding March 14, 2022.

Closing of Vironna Transaction

On March 14, 2022, the Vironna Transaction closed upon receipt of all requisite approvals, including the approval of the IMCA in consideration of NIS 8,500 (approximately $3,330), comprised of NIS 5,000 (approximately $1,960) in cash and NIS 3,500 (approximately $1,700) in Common Shares issued on closing. In satisfaction of the cash consideration component, NIS 3,750 (approximately $1,470) was paid at signing of the definitive agreement and the remaining NIS 1,250 (approximately $490) will be paid post-closing of the Vironna Transaction. In satisfaction of the share consideration component, the Company issued 485,362 Common Shares at a deemed issue price of US$ 2.209 per share (approximately $2.8092), calculated based on the average closing price of the Common Shares of on the NASDAQ for the 14 trading day period immediately preceding closing. The shares issued are subject to a staggered three-month lockup commencing on the date of issuance.

NOTE 24:- SUBSEQUENT EVENTS (Cont.)

Closing of Panaxia Transaction

On March 14, 2022, IMC Holdings acquired the Panaxia GDP License following receipt of the requisite IMCA approval and assigned it to IMC Pharma in accordance with the terms of the Panaxia Transaction (the "**Panaxia GDP License Closing**"). The aggregate consideration for the Panaxia Transaction was NIS 18,700 (approximately $7,200), of which NIS 7,600 (approximately $2,900) was paid in two cash instalments and NIS 11,100 (approximately $4,300) payable in Common Shares ("**Panaxia Consideration Shares**"). To satisfy the share consideration component of the Panaxia Transaction, the Company issued four instalments of an aggregate of 93,755 Panaxia Consideration Shares between August 9, 2021 and March 14, 2022, with the deemed price of each instalment of Panaxia Consideration Shares determined based on the average closing price of the Common Shares on Nasdaq during the 10 trading day period immediately prior to issuance. The fifth and final instalment of Panaxia Consideration Shares will be issued following the Panaxia GDP License Closing. The Panaxia Transaction includes a further option to acquire, for no additional consideration, a pharmacy from Panaxia, including requisite licenses to dispense and sell medical cannabis to patients, that the Company has exercised ("**Panaxia Pharmacy Closing**"). The Panaxia Pharmacy Closing is expected to occur during the third quarter of 2022.

Closing of Oranim Transaction

On March 28, 2022, the Oranim Transaction closed upon receipt of all requisite approvals, including the approval of the MOH, for an aggregate consideration of NIS 11,940 (approximately $4,900), consisting of NIS 5,202 (approximately $2,104) paid in cash upon signing, NIS 5,202 (approximately $2,104) which will be paid in cash on the first quarter of 2023 and NIS 1,536 (approximately $630) paid in 251,001 Common Shares on March 30, 2022. The number of Oranim Consideration Shares issuable was calculated based on the average closing price of the IM Cannabis's common shares on the NASDAQ over the 14 trading day period immediately preceding closing of the Oranim Transaction.

Exhibit 99.3

IM Cannabis Corp.

Management's Discussion and Analysis

For the Year and Three Months Ended December 31, 2021

March 31, 2022



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MANAGEMENT'S DISCUSSION AND ANALYSIS

IM Cannabis Corp. ("**IM Cannabis**" or the "**Company**") is a British Columbia company whose business formed on October 11, 2019 as the result of a reverse takeover with IMC Holdings Ltd. (the "**Reverse Takeover Transaction** "), pursuant to which the Company changed its name from "Navasota Resources Inc." to "IM Cannabis Corp." and changed its business from mining to the international medical cannabis industry. The Company's common shares (the "**Common Shares**") trade under the ticker symbol "IMCC" on both the NASDAQ Capital Market (" **NASDAQ**") and the Canadian Securities Exchange ("**CSE**") as of March 1, 2021, and November 5, 2019, respectively. The Reverse Takeover Transaction is more fully described under "*Review of Financial Performance – Share Capital – Financial Background*".

This Management's Discussion and Analysis (" **MD&A**") reports on the consolidated financial condition and operating results of IM Cannabis for the year and three months ended December 31, 2021. Throughout this MD&A, unless otherwise specified, references to "we", "us", "our" or similar terms, as well as the "Company" and "IM Cannabis" refer to IM Cannabis Corp., together with its subsidiaries, on a consolidated basis, and the "Group" refers to the Company, its subsidiaries and Focus Medical Herbs Ltd.

This MD&A should be read in conjunction with the audited consolidated financial statements of the Company and the notes thereto for the years ended December 31, 2021 and 2020, (the "**Annual Financial Statements**"). References in the below discussion to "Q4 2021" and "Q4 2020" refer to the three months ended December 31, 2021 and December 31, 2020, respectively, and references to "2020" refer to the year ended December 31, 2020.

The Annual Financial Statements have been prepared by management in accordance with the International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board (" **IASB**"). IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amount of assets and liabilities at the date of the Annual Financial Statements and the amount of revenue and expenses incurred during the reporting period. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods. The Annual Financial Statements include the accounts of the Group, which includes, among others, the following entities:

Legal Entity	Jurisdiction	Relationship with the Company
IMC Holdings Ltd. ("**IMC Holdings**")	Israel	Wholly-owned subsidiary
I.M.C. Pharma Ltd. ("**IMC Pharma**")	Israel	Wholly-owned subsidiary of IMC Holdings
Focus Medical Herbs Ltd. ("**Focus**")	Israel	Private company over which IMC Holdings exercises "de facto control" under IFRS 10
R.A. Yarok Pharm Ltd. ("**Pharm Yarok**")	Israel	Wholly-owned subsidiary of IMC Holdings
Rosen High Way Ltd. (" **Rosen High Way**")	Israel	Wholly-owned subsidiary of IMC Holdings
High Way Shinua Ltd. ("**HW Shinua**")	Israel	Private company over which IMC Holdings exercises "de facto" control under IFRS 10
Revoly Trading and Marketing Ltd. dba Vironna Pharm ("**Vironna**")	Israel	Subsidiary of IMC Holdings
Oranim Plus Pharm Ltd. ("**Oranim Plus**")	Israel	Subsidiary of IMC Holdings
Trichome Financial Corp. ("**Trichome**")	Canada	Wholly-owned subsidiary
Trichome JWC Acquisition Corp. ("**TJAC**")	Canada	Wholly-owned subsidiary of Trichome
MYM Nutraceuticals Inc. ("**MYM**")	Canada	Wholly-owned subsidiary of Trichome
SublimeCulture Inc. ("**Sublime**")	Canada	Wholly-owned subsidiary of MYM
Highland Grow Inc. ("**Highland**")	Canada	Wholly-owned subsidiary of MYM International Brands Inc.
Adjupharm GmbH ("**Adjupharm**")	Germany	Subsidiary of IMC Holdings

All intercompany balances and transactions were eliminated on consolidation.

All dollar figures in this MD&A are expressed in thousands of Canadian Dollars ($), except per share data and unless otherwise noted. All references to "NIS" are to New Israeli Shekels. All references to "€" or to "Euros" are to Euros. All references to "US$" or to "U.S. Dollars" are to United States Dollars. The Company's shares, options, units and warrants are not expressed in thousands. Prices are not expressed in thousands.

NON-IFRS FINANCIAL MEASURES

Certain non-IFRS financial measures are referenced in this MD&A that do not have any standardized meaning under IFRS, including "Gross Margin", "EBITDA" and "Adjusted EBITDA". The Company believes that these non-IFRS financial measures and operational performance measures, in addition to conventional measures prepared in accordance with IFRS, enable readers to evaluate the Company's operating results, underlying performance and prospects in a similar manner to the Company's management. For a reconciliation of these non-IFRS financial measures to the most comparable IFRS financial measures, as applicable, see the "*Metrics and Non-IFRS Financial Measures*" section of the MD&A.

NOTE REGARDING THE COMPANY'S ACCOUNTING PRACTICES

The Company complies with IFRS 10 to consolidate the financial results of Focus, an Israeli licensed cultivator on the basis of which IMC Holdings exercises "de facto control". For a full explanation of the Company's application of IFRS 10, see "*Legal and Regulatory – "Restructuring"* and "*Legal and Regulatory – Risk Factors - Consolidation of Focus Financial Results under IFRS 10 and Maintenance of Common Control*".

For the period ended December 31, 2021, the Company analyzed the terms of the definitive agreements with each of Pharm Yarok, Rosen High Way, HW Shinua, Vironna and Oranim Plus (collectively, the "**Consolidated Entities**") in accordance with IFRS 10 and concluded a requirement to consolidate the financial results as of the Consolidated Entities as of the date of signing each such definitive agreement. Each of such definitive agreements provide the Company with the power to unilaterally make all decisions regarding the financial and operating policies of each of the Consolidated Entities and the right to obtain all related economic benefits. The Pharm Yarok Transaction, the Vironna Transaction and the Oranim Transaction (as each are further defined herein) were completed in the first quarter of 2022. The completion of the Pharm Yarok Transaction with respect to HW Shinua remains subject to the IMCA approval, and accordingly the financial results of HW Shinua continue to be consolidated in compliance with IFRS 10. For further information on the closing of the above transactions, please see *"Corporate Highlights and Events*".

EXECUTIVE SUMMARY

OVERVIEW – CURRENT OPERATIONS IN ISRAEL, CANADA AND GERMANY

IM Cannabis is a leading international cannabis company providing premium cannabis products to medical patients and adult-use recreational consumers. With operations in Israel, Canada, and Germany, the world's three largest federally legal cannabis markets, the Company has developed its own proprietary import/export supply chain in order to efficiently deliver premium cannabis to patients and consumers under a uniform global branding umbrella.

The Company operates in Canada through Trichome and its subsidiaries TJAC and MYM, where it cultivates, processes and sells premium and ultra-premium cannabis at its own facilities under the WAGNERS and Highland Grow brands for the adult-use market in Canada and exports premium and ultra-premium medical cannabis to Israel and eventually to Germany.

In Israel, the Company cultivates, imports, and distributes cannabis to local medical patients through its commercial relationship with Focus, with plans to import cannabis to supplement its operations of medical cannabis retail pharmacies, online platforms, distribution centres and logistical hubs operating through IMC Holdings.

In Germany, the IM Cannabis ecosystem operates through Adjupharm importing and distributing cannabis to pharmacies for patients, acting as the Company's entry point to a potential future Europe-wide distribution.

OUR GOAL - DRIVE PROFITABLE REVENUE GROWTH

Our primary goal is to sustainably increase revenue in each of our core markets in order to build long term shareholder value. By focusing on sustainable revenue growth, while actively managing costs and margins, we believe we can achieve positive EBITDA.

HOW WE PLAN TO ACHIEVE OUR GOAL – FOUR CORE STRATEGIES

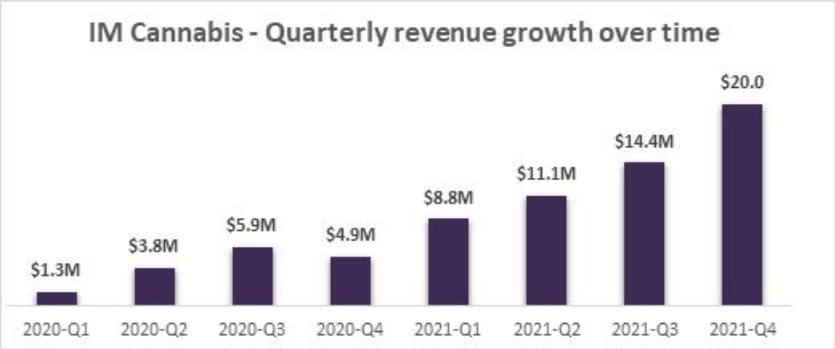
Our strategy to grow sustainable revenues consists of:

- Geographic diversification and preparing to target new legal cannabis markets in Germany and Israel, while leveraging the cultivation excellence and consumer insights and experienced team in the mature Canadian market.
- Properly positioned brands with respect to target-market, price, potency and quality, such as the successful mid-2021 launch of WAGNERS in Canada. By Q4 2021, both WAGNERS and Highland Grow were among the top premium and ultra-premium cannabis brands in Ontario (Canada's largest province) by retail market share[1].
- High-quality, reliable supply to our customers and patients, leading to recurring sales.
- Ongoing introduction of new SKUs to keep customers and patients engaged.

In order to turn increased revenues into positive EBITDA, we plan to focus on spending discipline and cost efficiencies through vertical integration throughout 2022.

[1] Depletion and e-commerce sales data from Ontario Cannabis Store - Sale of Data report for period between October 1 – December 31, 2021 for dried flower product between $7.50 - $9.99/gram and above $12.99/gram.

RESULTS – SIGNIFICANT REVENUE GROWTH IN 2021



STRATEGY IN DETAIL

GEOGRAPHIES AND NEW MARKETS

The Company operates in the Israeli and German medical markets and the Canadian recreational market.

Israel

In Israel, we continue to expand IMC brand recognition and supply the growing Israeli medical cannabis market with our branded products. In addition to our locally grown medical cannabis by Focus and its cultivation partners, we are focused on importing premium indoor-grown dried cannabis from our Canadian Facilities (defined below) as well as from world-leading cannabis suppliers. In addition to the benefits of the Group's long-term presence in Israel, we believe that with our globally integrated supply chain and coordinated team of compliance, regulatory and purchasing professionals, the Company is well-positioned to address the ongoing needs of medical cannabis patients in Israel.

Since the beginning of 2021, the Company has focused on entering additional segments of the medical cannabis market in Israel, including the distribution and retail segments. The acquisitions of Israeli pharmacies Pharm Yarok, Vironna and Oranim Pharm (collectively, the "**Israeli Pharmacies**") positions IM Cannabis as one of the largest distributors of medical cannabis in Israel. We are focused on building a vertically-integrated retail chain, providing IM Cannabis products directly to patients, accessing and leveraging market data as well as providing a deeper understanding of consumer preferences. These acquisitions allow the Company to increase purchasing power with third-party product suppliers, offers potential synergies with our established call centre and online operations, achieves higher margins on direct to patient sales and creates the opportunity for up-sales across a growing range of products.

Through the acquisition of the home-delivery services and online pharmacy business operating under the name *"Panaxia-to-the-Home*" and customer service center ("**Panaxia-to-the-Home Operation**"), we plan to stay ahead of consumer trends and provide patients with accessible, at-home delivery. The Company's acquisition of Rosen High Way, a trading house, and the Panaxia trading house license (the "**Panaxia GDP License**") will expand its sales channels, distribution, delivery and storage capacity and strengthen the Groups' ability to reach its clients directly. Following the completion of these transactions in the first quarter of 2022, IMC Holdings has become, through its recently acquired subsidiaries, a licensed medical cannabis retailer in Israel, in the process vertically integrating its Israeli operations. The Company expects that these developments will increase revenue and margins from its Israeli medical cannabis market activities. For more information, see *"Corporate Highlights and Events".*

Canada

Following the completion of the Trichome Transaction and the MYM Transaction, each acquisition further discussed below in " *Corporate Highlights and Events*", the Company's global cannabis platform has evolved to include operations in the adult-use recreational cannabis market in Canada, in addition to its established medical cannabis operations in Israel and Germany. Through its wholly-owned subsidiary, TJAC, Trichome operates as a Canadian Licensed Producer (defined below) of cannabis products in the Canadian cannabis market and sells adult-use recreational cannabis products under the WAGNERS brand.

MYM operates through its wholly-owned subsidiaries, Highland and Sublime, Canadian Licensed Producers. Each of Highland and Sublime produce cannabis products for the adult-use recreational cannabis market under the Highland Grow brand.

The MYM and Trichome acquisitions are complementary to each other and the larger IM Cannabis ecosystem. The WAGNERS brand operates in the premium cannabis market segment ($7.50-$9.99 per gram at the consumer level), while Highland operates in the ultra-premium market segment ($12.99+ per gram at the consumer level). In addition, the acquisitions provide an efficient, vertically integrated avenue to provide product to the Israeli and German markets.

The Canadian cannabis market is more mature than the other jurisdictions in which we operate, yet market growth is still expected to continue to grow in the coming years, with estimated market growth from $1.07 billion in Q4 2021 ($4.3 billion annualized)[2] to $8 billion in annual sales by 2026[3]. The Company continues to capitalize on numerous opportunities to grow its market share within Canada, including:

- Expanding into new provinces, particularly Quebec, which accounts for approximately 23% of Canada's population.
- Launching new SKUs, products, and formats to meet consumer demand.
- Continuing to expand our competitive market share in key markets;
  - In Ontario, Wagners has increased from 0% market share in January 2021 to over 6% in the premium dried flower segment for the first two months of 2022[4]
  - Highland now holds over 10% market share in the ultra-premium segment in Ontario in the first two months of 2022 [5]
- Engaging directly with current and prospective customers, retailers, and consumers to educate them on our high-quality brands.

Germany

In Europe, the Company operates in Germany through Adjupharm, its German subsidiary and EU-GMP certified medical cannabis producer and distributor. We continue to lay our foundation in Germany, currently the largest medical cannabis markets in Europe [6]. Leveraging our global supply chain, IM Cannabis continues to focus on growing its business in Germany to be well-positioned through brand recognition in preparation for future regulatory reforms.

Similar to Israel, the Company's focus in Germany is on importing premium indoor-grown dried cannabis from its Canadian Facilities, which we believe will satisfy the rapid growth in demand for high-THC premium cannabis across a variety of strains and qualities.

While the Company does not currently distribute products in other European countries, the Company intends to leverage the foundation established by Adjupharm, its new state-of-the-art, approximately 8,000 square foot warehouse space and EU-GMP production facility in Germany, completed in July 2021 (the "**Logistics Centre**") and its network of distribution partners to expand into other jurisdictions across the continent. The Company expects that the Logistics Centre will allow the Company to execute all aspects of its supply chain, including the repackaging of bulk cannabis and distribution capabilities.

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[2] Based on HiFyre Data for period between October 1 – December 31, 2021.

[3] BDSA, https://www.globenewswire.com/news-release/2021/09/21/2300624/0/en/BDSA-Reports-Global-Cannabis-Sales-Surge-41-YoY-in-2021-Will-Surpass-62-Billion-by-2026.html

[4] Depletion and e-commerce sales data from Ontario Cannabis Store - Sale of Data report for period between January 1 – February 28, 2022 for dried flower product between $7.50 - $9.99/gram.

[5] *Ibid*.

[6] The European Cannabis Report – Edition 6, p. 93 - https://prohibitionpartners.com/reports/

BRANDS

The IMC brand is well-known in the Israeli medical cannabis market. Leveraging its long-term success in the Israeli market, the Company launched the IMC brand in Germany in 2020.

Following the Company's entry into the Canadian adult-use recreational cannabis market, the Company is now leveraging its vertical integration and applying a multi-country strategy and using its global platform and exporting its Canadian WAGNERS and Highland Grow brands to the Israeli and German medical cannabis markets. The Company believes that the sale of WAGNERS and Highland Grow into the Israeli and German markets can satisfy the increasing demand of both Israeli and German patients for indoor grown high-THC premium cannabis.

Israeli Medical Cannabis Business

The Company currently sells the IMC and WAGNERS brands in the Israeli market.

The IMC brand established its reputation in Israel for quality and consistency over the past 10 years. In August 2020, a survey of licensed medical cannabis patients showed that the IMC brand is one of the top four most popular medical cannabis brands in Israel.[7]

In association with Focus, the Group maintains a portfolio of strains sold under the IMC umbrella that includes popular medical cannabis dried flowers and full-spectrum cannabis extracts.

In 2021, IMC was rebranded with a refreshed logo, packaging, design language and tone, with a bold new design to better position itself in the competitive Israeli medical cannabis market, creating a variety of available products for medical cannabis patients. The IMC brand launched four different product lines as part of its rebranding:

The Signature Collection – The IMC brand's high-quality product line with greenhouse grown, high THC cannabis flowers. This collection of products currently includes well known cannabis dried flowers such as Roma, Tel Aviv and London as well as newer strains launched in 2021 such as Mango Mint.

7 According to a survey carried out by Cannabis Magazine among 519 patients licensed by the MOH to consume medical cannabis (Aug 2020, Israel).

The Reserve Collection – The IMC brand's premium product line with indoor-grown, high THC cannabis flowers. Launched in Q1 2022 with BC Pink Kush.

The Craft Collection – The IMC brand's ultra-premium product line with indoor-grown, hang-dried and hand-trimmed, high THC cannabis flowers. Including exotic and unique cannabis strains such as Peanut Butter MAC, Wedding Crasher and Alien Sin Mint Cookies.

The Full Spectrum Extracts – The IMC brand's full spectrum, strain specific cannabis extracts including High THC Roma oil, balanced Paris oil and Super CBD.



The WAGNERS brand launched in Israel during Q1 2022. For more information, please see " *New Product Offering*".

Canadian Adult-Use Recreational Cannabis Business

In Canada, the Company's product portfolio consists of dried flower, pre-rolls and pressed hash offerings under the premium WAGNERS brand and ultra-premium Highland Grow brand. The WAGNERS brand was launched by TJAC in mid-2021, while the Highland Grow brand was acquired through the acquisition of MYM in July 2021.

The WAGNERS brand offers high-quality cannabis on a consistent basis at an approachable price point for consumers. The Highland Grow brand offers cannabis consumers ultra-premium product, curated to their tastes. Both the WAGNERS and Highland Grow brands have proven to be very popular with consumers, each holding a top 3 position in Ontario across their respective price segments (year-to-date in 2022).[8]

[8] Depletion and e-commerce sales data from Ontario Cannabis Store - Sale of Data report for period between January 1 – February 28, 2022 for dried flower product between $7.50 - $9.99/gram and above $12.99/gram.

WAGNERS and Highland Grow products are primarily sold in 3.5 gram flower and 3 x 0.5 gram flower pre-roll formats. Other flower formats are available in certain provinces, such as 7 or 14 gram units. Hash is typically sold in 1, 2 and 4 gram formats.

Key WAGNERS flower and pre-roll strains include Cherry Jam, Pink Bubba, Blue Lime Pie, Purple Clementine, Dark Helmet and Silverback #4:



The Highland Grow brand portfolio includes six core flower strains: Gaelic Fire, White Lightning, Sensi Wizard, Cherry Burst, as well as two new strains added in Q4 2021, Gas Tank and Diamond Breath.



German Medical Cannabis Business

In Germany, the Company sells IMC-branded dried flower products. The medical cannabis products sold in the German market are branded generically as IMC so as to rely on the Company's brand recognition in establishing a foothold with German healthcare professionals. The Company's IMC-branded cannabis products were launched in Germany with one high THC flower strain in 2020. In Q4 2021, Adjupharm launched a flower strain second high THC strain and two full spectrum extracts.

In July 2021, Adjupharm was recognized by the German Brand Institute with the "German Brand Award 2021", recognizing its excellence in brand strategy and creation, communication and integrated marketing. The competitive advantage in Germany also lies in the Group's track record, experience and brand reputation in Israel and proprietary data supporting the possible effectiveness of medical cannabis for the treatment of a variety of conditions.



HIGH-QUALITY, RELIABLE SUPPLY

Israel

Over the last decade, Focus was the primary cultivator of medical cannabis products sold under the IMC brand in the Israeli market, as an Israeli IMCA licensee permitted to cultivate medical cannabis in Israel (the "**Focus License**") at the Focus cultivation facility (the "**Focus Facility**"). To supplement growing demand, Focus entered into supply agreements with third-party Israeli cultivators. Since 2021, the Company has focused on securing additional supply from its supply partners from outside of Israel, leveraging its improved purchasing capabilities and global presence, as well as facilitating the import of indoor-grown premium and ultra-premium cannabis from the Canadian Facilities. Importing from the Canadian Facilities aligns with the Company's strategy in acquiring the Trichome and MYM to serve as a long term, reliable source of supply to both the Israeli and German markets.

Following cultivation in Israel or import of medical cannabis, in accordance with Israeli regulations, the medical cannabis products are then packed by contracted licensed producers of medical cannabis. The packaged medical cannabis products are then sold by the Group under the Company's brands to local Israeli pharmacies directly or through contracted distributors.

Canada

In Canada, our primary customers are provincially-owned cannabis wholesalers who in turn sell to private and public retail locations where the consumer ultimately purchases cannabis products.

The Company supplies the WAGNERS and Highland Grow brands through a combination of internally cultivated production from the Canadian Facilities in Ontario, Quebec, and Nova Scotia. To diversify our supply lines, we also purchase carefully curated cannabis to match our consumers' demands and expectations.

The Company operates four facilities in Canada (the "**Canadian Facilities**"):

Facility	Location	Description
Manitou Facility	Ontario	Flagship 32,050 square metre facility, with approximately 4,340 square metre of cultivation space
Trillium Facility	Ontario	Approximately 1,400 square metre processing and cultivation facility
Sublime Facility	Quebec	Approximately 930 square metre cultivation and storage facility
Highland Facility	Nova Scotia	Approximately 530 square metre cultivation and storage facility

The Manitou Facility and Trillium Facility (together, the " **TJAC Facilities**") are operated by TJAC, and the Sublime Facility and Highland Facility (together, the "**MYM Facilities**") are operated by Sublime and Highland, respectively. The TJAC Facilities, and the MYM Facilities, pursuant to their Health Canada issued licenses (the "**TJAC Licenses**" and the "**MYM Licenses**", respectively) are authorized to cultivate, process and sell cannabis (only the Trillium Facility and the Highland Facility hold a license to sell).

Germany

The Company continues to expand its presence in the German market by forging partnerships with pharmacies and distributors across the country and developing Adjupharm and the Logistics Centre as the Company's European hub. Adjupharm sources its supply of medical cannabis for the German market from various EU-GMP certified European and Canadian suppliers. The completion of the Logistics Centre upgraded Adjupharm's production technology and increased its storage capacity to accommodate its anticipated growth. The Company is also focused on exporting products into Germany from its Canadian Facilities, securing a reliable long term source of supply and minimizing the risks inherent in the supply chain.

Adjuharm currently holds wholesale, narcotics handling, manufacturing, procurement, storage, distribution and import/export licenses granted to it by the applicable German regulatory authorities (the "**Adjupharm Licenses**").

NEW PRODUCT OFFERINGS

Between our various geographies, the strategy for new products varies given that each market is at a different stage of development with respect to regulatory regimes, patient and customer preferences and adoption rates.

Israel

In conjunction with Focus and its cultivation partners cultivating Israeli-grown cannabis, the Company is also importing premium cannabis from its Canadian Facilities and from third-party supply partners. Canadian indoor-grown cannabis commands a premium to the Israeli consumer. The Company launched the BC Pink Kush cannabis flowers to its Reserve Collection during Q1 2022, and is planning to launch another cannabis flower, Berlin, to its Signature Collection in the beginning of Q2 2022.



The WAGNERS brand launched in Israel during Q1 2022, with premium indoor-grown cannabis from the Canadian Facilities. The WAGNERS brand in Israel offers premium, imported, indoor-grown flower at a competitive price point for the first time in the Israeli market, due to the Group's vertically integrated global supply chain reducing costs across the chain.

The WAGNERS brand currently offers its Cherry Jam and Dark Helmet products in Israel with additional products expected to launch later in 2022.



We also plan to launch the Highland Grow brand in Israel later in 2022.

Canada

The Company has amassed a portfolio of more than 150 cannabis strains through the MYM Transaction, and we are regularly evaluating and bringing new strains to market. In Q4 2021, we launched Pink Bubba and Blue Lime Pie under the WAGNERS brand. The market reception of Pink Bubba has been strong, rivaling sales of our flagship Canadian strain, Cherry Jam in key markets. We also plan to launch four new strains in Q2 2022; Tiki Rain, Rainforest Crunch, Golden Ghost OG and Turpy Slurpy:



We have introduced pre-rolls under the Highland Grow brand for cannabis connoisseurs who also value convenience. In addition, we have launched new strains: Diamond Breath and Gas Tank under Highland Grow brand.

In Q1 2022, we commenced distribution of a new brand, Dymond Concentrates, which will offer high-quality concentrates such as THCA diamonds, caviar, live resin, badder and shatter:



Germany

IM Cannabis started 2022 with the launch of a high CBD flower strain and is also currently in the process of launching its popular Canadian WAGNERS brand in the German medical cannabis market, importing cannabis flower from the Canadian Facilities. The expansion of our portfolio shows our commitment to providing German physicians and patients with the best available strains in the global cannabis market, giving them the opportunity to tailor their treatments to their patients' individual needs.

CORPORATE HIGHLIGHTS AND EVENTS

KEY HIGHLIGHTS FOR THE QUARTER AND YEAR ENDED DECEMBER 31, 2021

In 2021 the Company executed on its strategy to expand its business operations through several strategic acquisitions to enter the Canadian adult-use recreational cannabis market and the retail and distribution segments of the medical cannabis market in Israel. The Company's key highlights and events for the year ended December 31, 2021 include:

Amendment of Focus' Commercial Agreements

On January 1, 2021, the Company amended the terms of each of the IP Agreement and the Services Agreement to align the consideration with implementation of the Company's transfer pricing framework. The amendments to these agreements constituted a "related party transaction" as such term is defined in Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). The Company was exempt from the formal valuation requirement under Section 5.5(a) and the minority approval requirement under Section 5.7(1)(a) of MI 61-101, respectively, as the fair market value of the amendments, as determined by the Board, did not exceed 25% of the Company's market capitalization on the date of such amendments.

DTC Eligibility

On January 26, 2021, the Company announced that it received confirmation from The Depository Trust Company (" **DTC**") that its Common Shares are eligible for electronic clearing and settlement through DTC in the United States ("**U.S.**")

Share Consolidation

On February 12, 2021, IM Cannabis consolidated all of its issued and outstanding Common Shares on the basis of one (1) post-consolidation Common Share for each four (4) pre-consolidation Common Shares (the "**Share Consolidation**") to meet the NASDAQ minimum share price requirement.

Changes to Board of Directors

On February 22, 2021, IM Cannabis appointed Brian Schinderle and Haleli Barath to its board of directors (the " **Board**"). Both Mr. Schinderle and Ms. Barath are independent directors under applicable Canadian and United States securities laws. Concurrently with the foregoing appointments, Rafael Gabay and Steven Mintz resigned from the Board.

Listing on NASDAQ

On March 1, 2021, the Common Shares commenced trading on the NASDAQ under the ticker symbol "IMCC", making IM Cannabis the first Israeli medical cannabis operator to list its shares on the NASDAQ.

First Supply Partnership for Import of Premium Medical Cannabis to Israel

On March 8, 2021, the Company announced that Focus signed a multi-year supply agreement with GTEC Holdings Ltd. (" **GTEC**"), a Canadian Licensed Producer of handcrafted and high quality cannabis, under which Focus will import GTEC's high-THC medical cannabis flowers into Israel to be sold under the IMC brand. By committing to purchase a minimum quantity of 500 kg of high-THC medical cannabis flower from GTEC's subsidiary, Grey Bruce Farms Incorporated, Focus is the exclusive recipient of GTEC cannabis products in the Israeli market for a period of 12 months commencing on the date the first shipment of GTEC products arrives in Israel, with an option to extend the term of exclusivity by an additional 6 months. The first shipment arrived in Q3 2021 and the Group launched a new category of imported premium indoor medical cannabis products under its well-established brand.

On June 7, 2021, the Group continued to execute on its strategy of importing premium product and growing its network of strategic supply partners by Focus entering into a three-year supply agreement with Flowr Corporation ("**Flowr**"), a Canadian Licensed Producer of ultra-premium adult-use recreational and medical cannabis products. The first shipment from Flowr arrived in Q4 2021. The Group launched the medical cannabis products from this shipment in Q1 2022.

Entering the Canadian Adult-Use Recreational Market

On March 18, 2021, the Company acquired all of the issued and outstanding shares of Trichome(the " **Trichome Transaction**"), becoming the first Israeli medical cannabis operator with established operation in Israel, Germany and Canada, securing its supply of premium indoor cannabis with the objective of exporting into the Israeli medical market and competing in the premium segment of Canada's adult-use recreational cannabis market. Trichome is the sole shareholder of TJAC (then doing business as JWC), and is a Canadian Licensed Producer of cannabis products in the adult-use recreational cannabis market. The Trichome Transaction completed pursuant to a statutory plan of arrangement under the *Business Corporations Act* (Ontario) in accordance with a definitive agreement entered into on December 30, 2020.

Pursuant to the terms of the Trichome Transaction, former holders of common shares of Trichome (the " **Trichome Shares**") and former holders of Trichome convertible instruments (collectively, the "**Trichome Securityholders**") received 0.24525 of a Common Share for each Trichome Share held and each in-the-money convertible instrument of Trichome. Pursuant to the Trichome Transaction, a total of 10,104,901 Common Shares were issued to the Trichome Securityholders, resulting in former Trichome Securityholders holding approximately 20.06% of the total number of Common Shares (based on 50,370,027 Common Shares issued and outstanding immediately after closing of the Trichome Transaction). In addition, 100,916 Common Shares were issued to financial advisors in connection with the Trichome Transaction.

Entering the Retail Segment in Israel by Acquiring Panaxia's Largest Retail and Online Pharmacy Business

On April 30, 2021, IMC Holdings signed a definitive agreement with Panaxia to acquire the Panaxia-to-the-Home Operation, and the Panaxia GDP License from Panaxia Pharmaceutical Industries Israel Ltd. and Panaxia Logistics Ltd., part of the Panaxia Labs Israel, Ltd. group of companies (the "**Panaxia Transaction**"). Panaxia-to-the-Home offers medical cannabis patients across Israel the largest selection of medical cannabis products in Israel through an online platform with temperature-controlled home delivery, along with a call centre for patient support.

On May 30, 2021, the Company completed the first closing of the Panaxia Transaction, pursuant to which the Panaxia-to-the-Home Operation and all intellectual property were transferred to IMC Holdings., and on March 14, 2022 the Company completed the acquisition of the Panaxia GDP License. For more information, please see "*Subsequent Events*".

Closing of US$35 Million Equity Financing by Overnight Marketed Offering

On May 7, 2021, IM Cannabis closed an overnight marketed offering (the "**2021 Offering**") of its Common Shares ("**Offered Shares**") and Common Share purchase warrants ("**2021 Offered Warrants**"). A total of 6,086,956 Offered Shares at a price of US$5.75 per Offered Share were sold and issued for aggregate gross proceeds of approximately US$35,000 ($42,502). IM Cannabis also issued 3,043,478 2021 Offered Warrants to purchasers of Offered Shares, for no additional consideration, with each 2021 Offered Warrant exercisable for one Common Share at an exercise price of US$7.20 for a term of 5 years from the date of closing of the 2021 Offering. The 2021 Offering was completed by way of a final prospectus supplement filed on May 5, 2021. Pursuant to the terms of the 2021 Offering, the agents who acted on the Company's behalf in connection with the 2021 Offering, held an over-allotment option to purchase up to an additional 913,044 Offered Shares and 465,522 2021 Offered Warrants on the same terms and conditions for a period of 30 days following the date of closing of the 2021 Offering which was not exercised.

The Company also issued a total of 182,609 broker compensation options (the " **2021 Broker Compensation Options**") to the agents who acted on its behalf in connection with the 2021 Offering. Each 2021 Broker Compensation Options is exercisable for one (1) Common Share at an exercise price of US$6.61, at any time following November 5, 2021 until November 5, 2024.

The 2021 Offering was conducted pursuant to a prospectus supplement under the Company's final base shelf prospectus receipted by the applicable Canadian securities commissions on March 31, 2021 (the "**Base Shelf Prospectus**") and its Registration Statement on Form F-10, which was declared effective on March 31, 2021by the United States Securities and Exchange Commission (the "**SEC**").

TJAC Revolving Credit Facility

On May 14, 2021, the Company's subsidiary, TJAC, entered into a revolving credit facility (the " **Revolver**") for $5,000 with a private Canadian creditor. The Revolver has an initial term of 12 months that can be extended upon the mutual agreement of both parties. Per annum interest is equal to the greater of (i) 9.75% and, (ii) the Toronto Dominion Bank prime rate, plus 7.30%. The Facility has a standby fee of 2.40% per annum, which is charged against the unused portion. Advanced amounts are secured against the assets of TJAC and Trichome, with Trichome providing a guarantee for the Facility. To maintain the Facility, TJAC must abide by certain financial covenants, such as the maintenance of a tangible net worth greater than $5,000 and a debt service coverage ratio of 2:1. On September 23, 2021, TJAC increased the limit on the Revolver from $5,000 to $7,500 and added Highland's assets to the Revolver borrowing base. The increase will be used to finance TJAC and MYM's receivables in order to manage the timing of cash flows. On October 18, 2021, TJAC and MYM increased the limit on the Revolver to $10,000. The increase will be used to finance TJAC and MYM's receivables in order to manage the timing of cash flows. On March 29, 2022, the limit on the Revolver increased from $10,000 to $15,000 and was renewed for an additional 12 months.

Acquisition of MYM Nutraceuticals Inc.

On July 9, 2021, the Company, through Trichome, acquired all of the issued and outstanding shares of MYM on July 9 2021 (the " **MYM Transaction**"). In addition to acquiring the rights to the Highland Grow brand, a widely-available ultra-premium cannabis brand in Canada with a proven track record, the Company also acquired over 150 strains in its product portfolio that the Company plans to selectively release to market. The MYM Transaction was completed pursuant to a statutory plan of arrangement under the *Business Corporations Act* (British Columbia) in accordance with a definitive agreement entered into on March 31, 2021. Pursuant to the terms of the MYM Transaction, former holders of common shares of MYM (the "**MYM Shares**") received 0.022 of a Common Share for each MYM Share held. In connection with the MYM Transaction, a total of 10,073,437 Common Shares were issued to the former holders of MYM Shares, resulting in former MYM shareholders holding approximately 15% of the total number of Common Shares (based on 67,156,470 Common Shares issued and outstanding immediately after closing of the MYM Transaction).

Completion of German Logistics Centre

In July 2021, the Company completed the Logistics Centre that allows Adjupharm to internally manage all aspects of its supply chain including, the repackaging of bulk cannabis. IM Cannabis expects that the Logistics Centre will strongly augment Adjupharm's capabilities as a focal point for the Company's European strategy. The Logistics Centre doubles Adjupharm's footprint to approximately 8,000 square feet, upgrades the production facilities with state-of-the-art technology and increases cannabis storage capacity to seven tonnes.

Acquisition of Leading Israeli Retailer and Distributor - Pharm Yarok Group

On July 28, 2021, IMC Holdings entered into a definitive agreement to acquire100% of the issued and outstanding shares of (i) Pharm Yarok, a leading medical cannabis pharmacy located in central Israel; (ii) Rosen High Way, a trade and distribution centre providing medical cannabis storage, distribution services and logistics solutions for cannabis companies and pharmacies in Israel; and (iii) HW Shinua, an applicant for a medical cannabis transportation license (collectively, the "**Pharm Yarok Transaction** "). The Pharm Yarok Transaction aligns with the Company's execution of its vertical integration strategy within the Israeli medical cannabis retail market. The Pharm Yarok Transaction closed in March 2022. For more information, please see "*Subsequent Events*".

Acquisition of Leading Israeli Pharmacy – Vironna

On August 16, 2021, IMC Holdings entered into definitive agreement to acquire 51% of the issued and outstanding ordinary shares of Vironna (the "**Vironna Transaction**"), a pharmacy licensed to dispense and sell medical cannabis and is one of the leading pharmacies serving patients in the Arab population in Israel. The Vironna Transaction closed in March 2022. For more information, please see "*Subsequent Events*".

Acquisition of Jerusalem's Leading Medical Cannabis Pharmacy- Oranim Pharm

On December 1, 2021, IMC Holdings signed a definitive agreement to acquire 51.3% of the outstanding ordinary shares of Oranim Plus. Oranim Plus holds 99.5% of the rights in Oranim Pharm Partnership ("**Oranim Pharm**"). The acquisition will result in IMC Holdings owning 51% of the rights in Oranim Pharm, which is one of the largest pharmacies selling medical cannabis in Israel and the largest pharmacy selling medical cannabis in the Jerusalem area (the "**Oranim Transaction**"). The Oranim Transaction closed in March 2022. For more information, please see "*Subsequent Events*".

Executive Changes to Subsidiaries

Effective December 2021, Howard Steinberg was appointed Chief Executive Officer of the following wholly-owned Canadian subsidiaries of IM Cannabis: MYM, Highland and Sublime. Karl Grywacheski was appointed Chief Financial Officer of Highland.

SUBSEQUENT EVENTS

Strategic Executive Management Changes

On January 13, 2022, the Company announced the following changes to its management team: Yael Harrosh, previously IM Cannabis's General Counsel, Business Director and Corporate Secretary, was promoted to global Chief Legal and Operations Officer, effective immediately. Rinat Efrima was appointed the new Chief Executive Officer of IMC Holdings and joined the Company in Q1 2022.

First Import to Israel of Cannabis from the Company's Canadian Facility

On January 19, 2022, Focus imported premium indoor-grown Canadian cannabis flowers from TJAC, and an additional supply partner, marking an important milestone in the execution of the IM Cannabis' strategic objectives of vertical integration. The Group commenced the sale of imported cannabis flowers under its WAGNERS brand in the Israeli medical cannabis market as of February 2021.

Focus Revolving Credit Facility

In January 2022, Focus entered into a revolving credit facility with Bank Mizrahi (the " **Mizrahi Facility**"). The Mizrahi Facility is guaranteed by Focus assets. Advances from the Mizrahi Facility will be used for working capital needs. The Mizrahi Facility has a total commitment of up to NIS 15,000 (approximately $6,000) and has a one-year term for on-going needs and 6 month term for imports and purchases needs. The Mizrahi Facility is renewable upon mutual agreement by the parties. The borrowing base available for draw at any time throughout the Mizrahi Facility and is subject to several covenants to be measured on a quarterly basis. The Mizrahi Facility bears interest of Israeli prime interest plus 1.5% (approximately 3.3%) per annum.

Closing of Pharm Yarok Transaction

On March 14, 2022, the Pharm Yarok Transaction closed upon receipt of all requisite approvals, including the IMCA approval, for an aggregate consideration of NIS 11,900 (approximately $4,600), of which NIS 8,400 (approximately $3,300) was paid in cash upon signing the definitive agreement, and NIS 3,500 (approximately $1,300) paid upon closing. The acquisition of the outstanding ordinary shares of HW Shinua is pending receipt of the requisite approval from the IMCA. In connection with closing of the Pharm Yarok Transaction, the Company completed a non-brokered private placement with former shareholders of Pharm Yarok and Rosen High Way on March 14, 2022. A total of 523,700 Common Shares were issued at a deemed price of $2.616 for aggregate proceeds of approximately $1,370. The calculation of the deemed price was based on the average closing price of Common Shares on the CSE over the 8 trading day period immediately preceding March 14, 2022.

Closing of Vironna Transaction

On March 14, 2022, the Vironna Transaction closed upon receipt of all requisite approvals, including the approval of the IMCA. The Vironna Transaction was completed for total consideration of NIS 8,500 (approximately $3,330), comprised of NIS 5,000 (approximately $1,950) in cash and NIS 3,500 (approximately $1,350) in Common Shares issued on closing. In satisfaction of the cash consideration component, NIS 3,750 (approximately $1,470) was paid at signing of the definitive agreement and the remaining NIS 1,250 (approximately $490) will be paid post-closing of the Vironna Transaction. In satisfaction of the share consideration component, the Company issued 485,362 Common Shares at a deemed issue price of US$2.209 per share (approximately $2.8092), calculated based on the average closing price of the Common Shares of on the NASDAQ for the 14 trading day period immediately preceding closing. The shares issued are subject to a staggered three-month lockup commencing on the date of issuance.

Closing of Panaxia Transaction

On March 14, 2022, IMC Holdings acquired the Panaxia GDP License following receipt of the requisite IMCA approval, and assigned it to IMC Pharma in accordance with the terms of the Panaxia Transaction (the "**Panaxia GDP License Closing**"). The aggregate consideration for the Panaxia Transaction was NIS 18,700 (approximately $7,200), of which NIS 7,600 (approximately $2,900) was paid in two cash instalments and NIS 11,100 (approximately $4,300) payable in Common Shares ("**Panaxia Consideration Shares**"). To satisfy the share consideration component of the Panaxia Transaction, the Company issued four installments of an aggregate of 934,755 Panaxia Consideration Shares between August 9, 2021 and March 14, 2022, with the deemed price of each instalment of Panaxia Consideration Shares determined based on the average closing price of the Common Shares on Nasdaq during the 10 trading day period immediately prior to issuance. The fifth and final installment of Panaxia Consideration Shares will be issued following the Panaxia GDP License Closing. The Panaxia Transaction includes a further option to acquire, for no additional consideration, a pharmacy from Panaxia, including requisite licenses to dispense and sell medical cannabis to patients, that the Company has exercised ("**Panaxia Pharmacy Closing**"). The Panaxia Pharmacy Closing is expected to occur in Q3 2022.

Closing of Oranim Transaction

On March 28, 2022, the Oranim Transaction closed upon receipt of all requisite approvals, including the approval of the IMCA. The Oranim Transaction was completed for total consideration of NIS 11,940 (approximately $4,600), comprised of NIS 10,404 (approximately $4,000) and NIS 1,536 (approximately $600) in Common Shares issued on closing. In satisfaction of the cash consideration component, NIS 5,202 (approximately $2,000) paid at signing of the definitive agreement and NIS 5,202 will be payable in the first quarter of 2023. In satisfaction of the share consideration component, the Company issued 251,001 Common Shares at a deemed issue price of US$1.9 per share (approximately $2.37) per share, calculated based on the average closing price of the common shares of the Company on the Nasdaq Capital Market for the 14 trading day period immediately preceding March 28, 2022. The shares issued are subject to a staggered three-month lockup commencing on the date of issuance.

REVIEW OF FINANCIAL PERFORMANCE

Financial Highlights

Below is the analysis of the changes that occurred for the year and three months ended December 31, 2021 and 2020. Commentary is provided below.

	For the year ended December 31		For the three months ended December 31	
	2021	2020	2021	2020
Revenues	$ 54,300	$ 15,890	$ 20,028	$ 4,900
Gross profit before fair value impacts in cost of sales	$ 11,882	$ 8,809	$ 3,773	$ 2,791
Gross margin before fair value impacts in cost of sales (%)	22%	55%	19%	57%
Operating Loss	$ (38,389)	$ (8,245)	$ (11,722)	$ (6,383)
Loss	$ (18,518)	$ (28,734)	$ (12,488)	$ (19,976)
Loss per share attributable to equity holders of the Company - Basic	$ (0.31)	$ (0.74)	$ (0.19)	$ (0.125)
Loss per share attributable to equity holders of the Company - Diluted	$ (0.66)	$ (0.74)	$ (0.19)	$ (0.125)

	For the year ended December 31,		For the three months ended December 31,	
	2021	2020	2021	2020
Average net selling price of dried flower (per Gram) [1]	$ 4.90	$ 5.75	$ 5.52	$ 5.51
Average net selling price of other cannabis products (per Gram) [2]	$ 4.70	-	$ 4.07	-
Quantity harvested and trimmed (in Kilograms) [3]	4,770	4,564	1,998	1,610
Quantity of other cannabis products sold (in Kilograms) [1]	1,033	-	503	-
Quantity of dried flower sold (in Kilograms)	8,410	2,586	2,949	1,079

Notes:

1. Cannabis selling prices in the Canadian market are characterized with lower selling prices than dried flowers the Israeli and German market.

2. Including other cannabis products such as Kief, Hash and Pre-rolls.

3. Harvested flowers, after trimming and ready for manufacturing.

The Overview of Financial Performance includes reference to non-IFRS financial measure, "gross margin", which the Company defines as the difference between revenue and cost of revenues divided by revenue (expressed as a percentage), prior to the effect of a fair value adjustment for inventory and biological assets. For more information on non-IFRS financial measures, see the "*Non-IFRS Financial Measures*" and "*Metrics and Non-IFRS Financial Measures*" sections of the MD&A.

OPERATIONAL RESULTS

The Company remains positive on the cannabis markets in Israel, Canada and Germany.

The Company believes that there a number of key factors creating tailwinds to facilitate further industry growth. In Israel, the number of licensed medical patients has increased by 36% in 2021 and is expected to further grow in the next years and may further benefit from regulatory change liberalizing the cannabis market in Israel. Moreover, the acquisitions of Israeli pharmacies Pharm Yarok, Vironna and Oranim Pharm (collectively, the "Israeli Pharmacies") positions IM Cannabis as one of the largest distributors of medical cannabis in Israel. In Canada, the recreational cannabis market is expected to grow from $1.07 billion in Q4 2021 ($4.3 billion annualized)[9] to $8 billion in annual sales by 2026 [10]. In Germany, the newly elected coalition government has endorsed the legalization of adult-use cannabis. While no specific legislation has yet been tabled and any implementation will take time, the Company believes that Germany will be the second largest federally legal, adult-use market in the world. Moreover, in Germany, the Company has seen an increase in the number of private payors of medical cannabis products, which the Company believes is supportive of its business plan as it relies less on the need for insurance re-imbursement. The outlook for the Company is further supported by its focus on the cultivation and distribution of premium cannabis products only, which the Company believes to be in the greatest demand in all of its markets, faces less competition, and therefore is less likely to face significant price competition.

Notwithstanding the above, the Israeli cannabis market has become increasingly competitive and the ability to import premium cannabis from Canada is a key determinant of success in Israel. The cannabis industry in Canada remains highly competitive and generally oversupplied, particularly in value products, and the ongoing viability of the illicit market. The German has been slower to develop due to the difficulty in medical patients accessing prescriptions and insurance re-imbursements. In each of the Company's markets, the Company must navigate evolving customer and patient trends in order to be competitive with other suppliers of cannabis products.

9 Based on HiFyre Data for period between October 1 – December 31, 2021.

10 BDSA, https://www.globenewswire.com/news-release/2021/09/21/2300624/0/en/BDSA-Reports-Global-Cannabis-Sales-Surge-41-YoY-in-2021-Will-Surpass-62-Billion-by-2026.html

REVENUES AND GROSS MARGINS

Revenues

The main revenues of the Group are generated from sales of medical cannabis products to customers in Israel and Germany as well as products to the recreational market in Canada. The three reportable geographical segments in which the Company operates are Israel, Canada and Germany.

For the year ended December 31:

	Israel		Canada		Germany		Adjustments		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Total revenue	$ 25,431	$13,826	$ 20,247	-	$ 8,622	$ 2,064	-	-	$ 54,300	$15,890
Segment income (loss)	$(10,654)	$ (2,090)	$(15,353)	-	$ (5,142)	$ (3,744)	-	-	$(31,149)	$ (5,834)
Unallocated corporate expenses	-	-	-	-	-	-	$ (7,240)	$ (2,411)	$ (7,240)	$ (2,411)
Total operating (loss) income	$(10,654)	$ (2,090)	$(15,353)	-	$ (5,142)	$ (3,744)	$ (7,240)	$ (2,411)	$(38,389)	$ (8,245)
Depreciation and amortization	$ 1,424	$ 617	$ 3,879	-	$ 701	$ 73	-	-	$ 6,004	$ 690

For the three months ended December 31:

	Israel		Canada		Germany		Adjustments		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Total revenue	$ 8,472	$ 5,541	$10,116	-	$ 1,440	$ (641)	-	-	$ 20,028	$ 4,900
Segment income (loss)	$ (4,451)	$ (5,559)	$ (2,983)	-	$ (2,725)	$ 264	-	-	$(10,159)	$ (5,295)
Unallocated corporate expenses	-	-	-	-	-	-	$ (1,563)	$ (1,088)	$ (1,563)	$ (1,088)
Total operating (loss) income	$ (4,451)	$ (5,559)	$ (2,983)	-	$ (2,725)	$ 264	$ (1,563)	$ (1,088)	$(11,722)	$ (6,383)
Depreciation and amortization	$ 405	$ (1)	$ 1,378	-	$ 617	$ 20	-	-	$ 2,400	$ 19

The consolidated revenues of the Group for the three and twelve months ended December 31, 2021 was attributed to the sale of medical cannabis products in Israel and Germany. After the acquisition of Trichome and MYM, the consolidated revenues included revenues from the sale of adult-use recreational cannabis in Canada increasing the consolidated revenue of the Group.

- Revenues for the year ended December 31, 2021 and 2020 were $54,300 and $15,890, respectively, representing an increase of $38,410 or 242%. The increase in revenues was mainly due to the Company's new acquisitions done through the year. These acquisitions led to the consolidation of the new subsidiaries both in the Canadian and Israeli market.

- Revenues from the Israeli operation were attributed to the sale of medical cannabis through company agreement with Focus and the consolidation of revenues from company new purchasing of pharmacies.

- Revenues from Company Canadian operation are including revenues from the sale of adult-use recreational cannabis in Canada through Company acquisitions of TJAC and MYM.

- In Germany Company revenues were attributed to the sale of medical cannabis through company subsidiary Adjupharm.

- Revenues for the three months ended December 31, 2021 and 2020 were $20,028 and $4,900, respectively, representing an increase of $15,128 or 309%.

- Total dried flower sold for the year ended December 31, 2021 was 8,410kg at an average selling price of $4.90 per gram compared to 2,586kg for the same period in 2020 at an average selling price of $5.75 per gram, derived mainly from the lower average selling price per gram the Company benefited from through its Canadian acquisitions of Trichome and MYM.

- Total dried flower sold for the three months ended December 31, 2021 was 2,949 kg at an average selling price of $5.52 per gram compared to 1,079kg for the same period in 2020 at an average selling price of $5.51 per gram.

- The increase in revenues related to dried flower in 2021 is attributable to deliveries made under the Focus' sales agreements to pharmacies, revenues generated from Adjupharm, the consolidation of Trichome, MYM, and the Consolidated Entities according to the definitive agreement dates for each of the Consolidated Entities.

- Total other cannabis product sold for the year ended December 31, 2021 was 1,033kg at an average selling price of $4.70 per gram. Other cannabis products include keef, hash, pre-rolls and more cannabis related products and are. attributable to the acquisitions of Trichome and MYM during 2021.

- Total other cannabis product sold for the three months ended December 31, 2021 was 503kg at an average selling price of $4.07 per gram. The increase in revenues related to other cannabis products for the twelve and three month ended December 31, 2021 is attributable to the acquisitions of MYM and Trichome and the sales of the WAGNERS, Highland and Sublime brands during 2021.

Cost of Revenues

Cost of revenues is comprised of cultivation costs, purchase of materials and finished goods, utilities, salary expenses and import costs, including the purchase of raw materials, production, product testing, shipping and sales related costs. At harvest, the biological assets are transferred to inventory at their fair value which becomes the deemed cost for the inventory. Inventory is later expensed to the cost of sales when sold. Direct production costs are expensed through the cost of sales.

The fair value of biological assets is categorized within Level 3 of the fair value hierarchy. The inputs and assumptions used in determining the fair value of biological assets include:

1. Selling price per gram - calculated as the weighted average historical selling price for all strains of cannabis sold by the Group, which is expected to approximate future selling prices.

2. Post-harvest costs - calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants post-harvest, consisting of the cost of direct and indirect materials, depreciation and labor as well as labelling and packaging costs.

3. Attrition rate - represents the weighted average percentage of biological assets which are expected to fail to mature into cannabis plants that can be harvested.

4. Average yield per plant - represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant.

5. Stage of growth - represents the weighted average number of weeks out of the average weeks growing cycle that biological assets have reached as of the measurement date. The growing cycle is approximately 12 weeks.

The following table quantifies each significant unobservable input, and also provides the impact that a 10% increase/decrease in each input would have on the fair value of biological assets grown by the Company:

	For the year ended December 31,		10% change in thousands as at December 31,	
	2021	2020	2021	2020
Average selling price per gram of dried cannabis (in CAD)	$ 3.64	$ 6.01	$ 296	$ 8.86
Average post-harvest costs per gram of dried cannabis (in CAD)	$ 1.16	$ 0.83	$ 140	$ 0.23
Attrition rate	27%	5%	100	0.4 3
Average yield per plant (in grams)	47	54	228	7.64
Average stage of growth	47%	4%	212	7.64

- The cost of revenues for the year ended December 31, 2021 and 2020 were $42,418 and $7,081, respectively, representing an increase of $35,337 or 499%.

- Cost of revenues for the three months ended December 31, 2021 and 2020 were $16,255 and $2,109, respectively, representing an increase of $14,146 or 671%.

Focus, Highland and TJAC expect net cost of sales to vary from quarter to quarter based on the number of pre-harvest plants, after harvest plants, the strains being grown and technological progress in the trimming machines.

Gross Profit

The Company's formula for calculating gross profit includes:

- production costs (current period costs that are directly attributable to the cannabis growing and harvesting process);

- materials and finished goods purchase costs;

- a fair value adjustment on sale of inventory (the change in fair value associated with biological assets that were transferred to inventory upon harvest); and

- a fair value adjustment on growth of biological assets (the estimated fair value less cost to sell of biological assets as at the reporting date).

Gross profit also includes the net change in fair value of biological assets, inventory expensed and production costs. Biological assets consist of cannabis plants at various after-harvest stages which are recorded at fair value less costs to sell after harvest.

Gross profit in 2021 was $10,296 representing a decrease of $172 or 2% over the one year period when compared to 2020.

Gross profit for the three months ended December 31, 2021 and 2020 gross profit was $4,311 and $507, respectively, representing an increase of $3,804 or 750%.

Gross profit included gains (losses) from unrealized changes in fair value of biological assets and realized fair value adjustments on inventory sold of $(1,586) and $1,659 for the year ended December 31, 2021 and 2020, respectively. Fair value adjustments were impacted primarily due to less valuation to unrealized biological assets during the twelve months ended 2021.

Gains (losses) from unrealized changes in fair value of biological assets and realized fair value adjustments on inventory sold for the three months ended December 31, 2021 and 2020 were $538 and $(2,284), respectively. Fair value adjustments were impacted primarily due to higher realization of biological assets during the three months ended 2021.

EXPENSES

General and Administrative

There was an increase in the general and administrative expense which is mainly attributable to the growing corporate activities in Israel, Canada, and Germany, professional services derived from legal fees and other consulting services, among others, in relation to the NASDAQ listing, the 2021 Offering and acquisitions in the amount of $11,814, including share-based expenses to financial advisors of approximately $807, salaries to employees in the amount of $9,900, depreciation and amortization in the amount of $2,827 and insurance costs in the amount of $2,871.

General and administrative expenses for the year ended December 31, 2021 and 2020 were $32,219 and $11,549, respectively, representing an increase of $20,670 or 179%.

For the three months ended December 31, 2021 and 2020, general and administrative expenses were $9,575 and $4,191, respectively, representing an increase of $5,384 or 128%.

Selling and Marketing

Selling and marketing expenses for the year ended December 31, 2021 and 2020 were $8,995 and $3,782, respectively, representing an increase of $5,213 or 138%. For the three months ended December 31, 2021, selling and marketing expenses were $4,341, compared to $1,448 for the three months ended December 31, 2020, representing an increase of $2,893 or 200%. The increase in the selling and marketing expenses was due mainly to the Company's increased marketing efforts in Israel, brand launch in Germany, and increased distribution expenses relating to the increase in sales and consolidation of selling and marketing expenses of entities acquired in 2021.

Share-Based Compensation

Share-based compensation expense for the year ended December 31, 2021 and 2020 was $7,471 and $3,382, respectively, representing an increase $4,089 or 121%. For the three months ended December 31, 2021 and 2020, share-based compensation expense was $2,117 and $1,251, respectively, representing an increase of $866 or 69%. The increase was mainly due to the grant of new incentive stock options ("**Options**").

Financing

Financing income (expense), net, for the year ended December 31, 2021 and 2020 was $20,376 and $(20,227), respectively, representing an increase of $40,603 or 201%. For the three months ended December 31, 2021 and 2020, financing income was $436 and $14,252, respectively, representing an decrease of $13,816 or 97%. The change for the year was mainly due to $21,638 finance income arising mainly from the updated valuation of the Company's Warrants (defined below) and other financial instruments affected by the Company's decreased share price.

NET INCOME/LOSS

Net loss for the year ended December 31, 2021 and 2020 was $(18,518) and $(28,734), respectively, representing a net loss decrease of $10,216 or 36%. For the three months ended December 31, 2021 and 2020, Net loss was $(12,488) and $(19,976) respectively, representing a net loss increase of $7,488 or 37%. The net income decrease related to factors impacting net income from operations described above, and finance income driven by revaluation of warrants and other financial instruments in the amount of $21,638, which were recorded against liability on the grant day and were re-evaluated at December 31, 2021 through profit or loss.

NET INCOME (LOSS) PER SHARE BASIC AND DILUTED

Basic loss per share is calculated by dividing the net profit attributable to holders of Common Shares by the weighted average number of Common Shares outstanding during the period. Diluted profit per Common Share is calculated by adjusting the earnings and number of Common Shares for the effects of dilutive warrants and other potentially dilutive securities. The weighted average number of Common Shares used as the denominator in calculating diluted profit per Common Share excludes unissued Common Shares related to Options as they are antidilutive. Basic Income (Loss) per Common Share for the year ended December 31, 2021 and 2020 were $(0.31) and $(0.74) per Common Share, respectively. For the three months ended December 31, 2021 and 2020 were $(0.19) and $(0.13) respectively.

Diluted Income (Loss) per Common Share for the year ended December 31, 2021 and 2020 were $(0.66) and $(0.74) per Common Share, respectively. Diluted Income (Loss) per Common Share for the three months ended December 31, 2021 and 2020 were $(0.19) and $(0.13), respectively.

TOTAL ASSETS

Total assets as at December 31, 2021 were $287,388, compared to $38,116 as at December 31, 2020, representing an increase of $249,272 or 654%. This increase was primarily due to the consolidation of Trichome, MYM and the Israeli subsidiaries. The acquisitions resulted in the recognition of goodwill and intangible assets of an aggregate amount of approximately $150,607, property plant and equipment of approximately $23,130, increase in right-of-use assets of approximately $16,979 and approximately $13,891 of working capital.

Intangible Assets

On March 18, 2021, the Trichome Transaction was completed whereby the Company acquired all of the issued and outstanding securities of Trichome for a total Common Share consideration valued at approximately $99,028. Upon completion of the Trichome Transaction, the businesses of IM Cannabis and Trichome have been combined.

- Through the Trichome Transaction, the Company recognized goodwill of approximately $67,269 and intangible assets, primarily attributed to the cultivation license, worth approximately $6,458 (based on a preliminary purchase price allocation study). The goodwill arising on acquisition is attributed to the expected benefits from the synergies of the combination of the activities of the Company and Trichome, as well as value attributed to the assembled workforce, which is included in goodwill. The goodwill recognized is not expected to be deductible for income tax purposes.

- The Company recognized the fair value of the assets acquired and liabilities assumed in the business combination according to a provisional measurement. The purchase consideration and the fair value of the acquired assets and liabilities may be adjusted within 12 months from the acquisition date. At the date of final measurement, adjustments are generally made by restating comparative information previously determined provisionally. As of the date of the approval of the Annual Financial Statements, a preliminary valuation for the fair value of the identifiable assets acquired and liabilities assumed by an external valuation specialist was obtained.

On July 9, 2021, the Company completed the MYM Transaction. As a result, the company recognized goodwill of approximately $39,932 and intangible assets consisting of brand name and customer relationships worth approximately $17,200 (based on a preliminary purchase price allocation study). The goodwill arising on acquisition is attributed to the expected benefits from the synergies of the combination of the activities of the Company and MYM, as well as value attributed to the assembled workforce, which is included in goodwill. The goodwill recognized is not expected to be deductible for income tax purposes.

- The Company recognized the fair value of the assets acquired and liabilities assumed in the business combination according to a provisional measurement. As of the date of the approval of the Annual Financial Statements, a final valuation for the fair value of the identifiable assets acquired and liabilities assumed by an external valuation specialist has not been obtained. The purchase consideration and the fair value of the acquired assets and liabilities may be adjusted within 12 months from the acquisition date. At the date of final measurement, adjustments are generally made by restating comparative information previously determined provisionally.

Investment in Xinteza

On December 26, 2019, IMC Holdings entered into a share purchase agreement with Xinteza API Ltd. (" **Xinteza**"), a company with a unique biosynthesis technology, whereby the Company acquired, on an as-converted and fully diluted basis, 25.37% of Xinteza's outstanding share capital, for consideration of US$1,700 (approximately $2,165 as of December 31, 2021) paid in several installments (the "Xinteza SPA"). As of December 31, 2021, the Company has paid all outstanding installments pertaining to the Xinteza SPA and currently holds 23.35% of the outstanding share capital of Xinteza on an as-converted and fully diluted basis. On February 24, 2022, IMC Holdings entered into a Simple Agreement for Future Equity (SAFE) with Xinteza, under which IMC Holdings paid US$100,000 (approximately $125), in exchange for right to certain shares of Xinteza

TOTAL LIABILITIES

Total liabilities as at December 31, 2021 were $82,443, compared to $25,506 at December 31, 2020, representing an increase of $56,937 or 223%. The increase was primarily due to an increase of $16,646 in other accounts payable and accrued expenses, an increase of $6,039 in purchase consideration payable and an increase of $18,384 in lease liabilities.

LIQUIDITY AND CAPITAL RESOURCES

For the year ended December 31, 2021, the Company generated revenues of $54,300, received $39,622 in net proceeds from issuance of share capital at the Company's financing round in May 2021, and $3,815 in proceeds from the exercises of warrants and 2019 Compensation Options (defined below) issued to certain agents who acted on the Company's behalf in connection with the Reverse Takeover Transaction, and exercises of Options.

In the plan for use of available funds mentioned in the Company's Base Shelf Prospectus, the Company have provided the following information:

Uses of Available Funds (Net)	Amount ($)	Actual amount used ($)	Variances
CAPEX Activities	$ 4,340	$ 2,758	$ (1,582)
M&A and investments	$ 14,880	$ 16,510	$ 1,630
Working capital	$ 11,750	$ 11,750	-
General corporate activities	$ 8,652	$ 8,604	$ 48
TOTAL	**$ 39,622**	**$ 39,622**	**0**

Variances in use of proceeds:

CAPEX Activities – The Company made an analysis process regarding its CAPEX activities in Israel at the end of 2021. Due to its strategic review the company lowered its CAPEX investments in Israel.

M&A activities – Following the two acquisitions in Canada the company started on execution of a M&A strategy also in Israel. The Company paid an additional $1,630 KCAD due to Israel M&A's.

Additional Liquidity:

On May 14, 2021, the Company's subsidiary, TJAC, entered into the Revolver for $5,000 with a private Canadian creditor. The Revolver has an initial term of 12 months that can be extended upon the mutual agreement of both parties. Per annum interest is equal to the greater of (i) 9.75% and, (ii) the Toronto Dominion Bank prime rate, plus 7.30%. The Facility has a standby fee of 2.40% per annum, which is charged against the unused portion. Advanced amounts are secured against the assets of TJAC and Trichome, with Trichome providing a guarantee for the Facility. To maintain the Facility, TJAC must abide by certain financial covenants, such as the maintenance of a tangible net worth greater than $5,000 and a debt service coverage ratio of 2:1. On September 23, 2021, TJAC increased the limit on the Revolver from $5,000 to $7,500 and added Highland's assets to the Revolver borrowing base. The increase will be used to finance TJAC and MYM's receivables in order to manage the timing of cash flows. On October 18, 2021, TJAC and MYM increased the limit on the Revolver to $10,000. The increase will be used to finance TJAC and MYM's receivables in order to manage the timing of cash flows.

In January 2022, Focus entered into the Mizrahi Facility. The Mizrahi Facility is guaranteed by Focus assets. Advances from the Mizrahi Facility will be used for working capital needs. The Mizrahi Facility has a total commitment of up to NIS 15,000 (approximately $6,000) and has a one-year term for on-going needs and 6 month term for imports and purchases needs. The Mizrahi Facility is renewable upon mutual agreement by the parties. The borrowing base available for draw at any time throughout the Mizrahi Facility and is subject to several covenants to be measured on a quarterly basis. The Mizrahi Facility bears interest of Israeli prime interest plus 1.5% (approximately 3.3%) per annum.

The Company believes that the generated cash flow from working capital in the different jurisdictions in which it operates, as well as future financing rounds and debt raises will meet all of its future requirements. In evaluating its capital requirements, including the impact, if any, on the Company from the COVID-19 pandemic and the ability to fund the execution of its strategy, the Company believes it has adequate availability to meet its working capital and other operating requirements, fund growth initiatives and capital expenditures, settle its liabilities, and repay scheduled principal and interest payments on debt for at least the next twelve months.

The Company has ensured that it has access to public capital markets through its CSE and NASDAQ listings and continues to review and pursue selected external financing sources to ensure adequate financial resources. These potential sources include, but are not limited to (i) obtaining financing from traditional or non-traditional investment capital organizations and (ii) obtaining funding from the sale of the Company's securities. There can be no assurance that we will gain adequate market acceptance for our products or be able to generate sufficient positive cash flow to achieve our business plans. We expect to continue funding these purchases with our available cash, cash equivalents and short-term investments. Therefore, we are subject to risks including, but not limited to, our inability to raise additional funds through financings to support our continued development, including capital expenditure requirements, operating requirements and to meet our liabilities and commitments as they come due.

As at December 31, 2021, the Company had a working capital surplus of $33,084, compared to working capital of $20,874 as at December 31, 2020. The increase in working capital of $12,210 or 58% was primarily due to increase in inventory, trade and other receivables, offset by trade and other payables including purchase consideration payable. As of December 31, 2021, the Company had a cash balance of $13,903.

As at December 31, 2021, the Group's financial liabilities consisted of accounts payable and other accounts payable which have contractual maturity dates within one year. The Group manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Group's working capital position at December 31, 2021, management considers liquidity risk to be low.

As at December 31, 2021, the Group has identified the following liquidity risks related to financial liabilities (undiscounted):

	Less than one year	1 to 5 years	6 to 10 years	> 10 years
Contractual Obligation	$ 21,683	$ 12,236	$ 12,759	$ 2,620

The maturity profile of the Company's other financial liabilities (trade payables, other account payable and accrued expenses, and warrants) as of December 31, 2021 are less than one year.

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than one year**	**1 to 3 years**	**4 to 5 years**	**After 5 years**
Debt	$ 18,814	$ 18,422	$ 392	$ -	$ -
Finance Lease Obligations	$ 30,291	$ 3,068	$ 6,247	$ 5,597	$ 15,379
Operating Leases	$ 193	$ 193	$ -	$ -	$ -
Purchase Obligations[1]	$ -	$ -	$ -	$ -	$ -
Other Obligations[2]	$ -	$ -	$ -	$ -	$ -
Total Contractual Obligations	$ 49,298	$ 21,683	$ 6,639	$ 5,597	$ 15,379

Notes:

1 "Purchase Obligation" means an agreement to purchase goods or services that is enforceable and legally binding on the Company that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

2 "Other Obligations" means other financial liabilities reflected on the Company's statement of financial position.

The Annual Financial Statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Annual Financial Statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of Common Shares without par value, 69,690,151 of which were issued and outstanding as at the date hereof.

The Common Shares confer upon their holders the right to participate in the general meeting with each Common Share carrying the right to one vote on all matters. The Common Shares also allow holders to receive dividends if and when declared and to participate in the distribution of surplus assets in the case of liquidation of the Company.

Other Securities

As of December 31, 2021, the Company also has the following outstanding securities which are convertible into, or exercisable or exchangeable for, voting or equity securities of the Company: 4,893,245 Incentive Stock Options, 550,000 RSU's, 236,039 2019 Broker Compensation Options, 3,043,478 2021 Offered Warrants, and 182,609 2021 Broker Compensation Options. See below *"Financial Background"* for more information.

Financial Background

On October 11, 2019, the Company completed the Reverse Takeover Transaction, effected by way of a "triangular merger" between the Company, IMC Holdings and a wholly-owned subsidiary of the Company pursuant to Israeli statutory law.

In connection with the Reverse Takeover Transaction, the Company completed a private placement offering of 19,460,527 subscription receipts (each a "**Subscription Receipt**") (on a pre-Share Consolidation (as defined below) basis) of a wholly-owned subsidiary of the Company at a price of $1.05 per Subscription Receipt for aggregate gross proceeds of $20,433. Upon completion of the Reverse Takeover Transaction, each Subscription Receipt was exchanged for one unit comprised of one (1) common share and one-half of one (1/2) warrant (each whole warrant, a "**2019 Listed Warrant**"). Each Listed Warrant was exercisable for one Common Share at an exercise price of $1.30 until October 11, 2021. A total of 9,730,258 2019 Listed Warrants were issued and listed for trading on the CSE under the ticker "IMCC.WT". The Listed Warrants expired on October 11, 2021.

The Company also issued the agent who acted on its behalf in connection with the Reverse Takeover Transaction, a total of 1,199,326 2019 Broker Compensation Options (the "**2019 Broker Compensation Options**"). Following the Consolidation, the 2019 Broker Compensation Options were adjusted to require four 2019 Broker Compensation Options to be exercised for one underlying unit at an adjusted exercise price of $4.20, with each unit exercisable into one Common Share and one-half of one Common Share purchase warrant (the "**2019 Unlisted Warrant**"). Following the Consolidation, the 2019 Unlisted Warrants were adjusted to require four 2019 Unlisted Warrants to be exercised for one Common Share at an adjusted exercise price of $5.20. The 2019 Broker Compensation Options and the 2019 Unlisted Warrants will expire on August 30, 2022.

As part of the 2021 Offering, the Company issued a total of 3,043,478 2021 Offered Warrants to the purchasers of the 2021 Offered Shares. Each 2021 Warrant exercisable for one (1) Common Share at an exercise price of US$7.20 for a term of 5 years from the date of closing of the 2021 Offering.

The Company also issued a total of 182,609 2021 Broker Compensation Options to the agents who acted on its behalf in connection with the 2021 Offering. Each 2021 Broker Compensation Option is exercisable for one (1) Common Share at an exercise price of US$6.61, at any time following November 5, 2021 until November 5, 2024. As of the date of this Annual Information Form, there are 182,609 2021 Broker Compensation Options outstanding.

For the year ended December 31, 2021 and 2020, the Company recognized a revaluation gain (loss) of $15,928 and $(16,540), respectively. For the three months ended December 31, 2021 and 2020, the Company recognized a revaluation gain (loss) of $72 and $(14,107) in the consolidated statement of profit or loss and other comprehensive income, in which the unrealized gain is included in finance income (expense).

As of December 31, 2021, and 2020, there were 3,043,478 and nil Unlisted Warrants outstanding, respectively, re-measured by the Company, using the Black-Scholes pricing model, in the amount of $6,022 and $nil, respectively. For the year ended December 31, 2021 and 2020, the Company recognized a revaluation gain (loss) of $5,810 and $nil, respectively. For the three months ended December 31, 2021 and 2020, the Company recognized a revaluation gain (loss) of $428 and $nil in the consolidated statement of profit or loss and other comprehensive income, in which the unrealized gain is included in finance income (expense).

During the year ended December 31, 2021, a total of 2,367,876 2019 Listed Warrants were exercised for 591,969 Common Shares at an adjusted exercise price of $5.20 per Common Share. As a result, the Company received a total amount of $3,078. Remaining 2019 Listed Warrants expired on October 21, 2021.

During the year ended December 31, 2021, a total of 194,992 2019 Unlisted Warrants were exercised for 48,748 Common Shares at an adjusted exercise price of $5.20 per Common Share. As a result, the Company received a total amount of $255.

During the year ended December 31, 2021, a total of 332,556 2019 Compensation Options were exercised on an adjusted basis for 83,139 Common Shares and 41,568 2019 Unlisted Warrants. Consequently, the Company received an aggregate adjusted exercise amount of $349.

OPERATING, FINANCING AND INVESTING ACTIVITIES

The following table highlights the Company's cash flow activities for the twelve and three months ended December 31, 2021 and 2020 and year ended December 31, 2020:

	For the year ended December 31,		For the three months ended December 31,	
	2021	2020	2021	2020
Net cash provided by (used in):				
Operating activities	$ (34,372)	$ (7,919)	$ 4,762	$ (535)
Investing activities	$ (9,012)	$ (4,075)	$ (7,082)	$ (838)
Financing activities	$ 48,731	$ 6,740	$ 2,794	$ 502
Effect of foreign exchange	$ (329)	$ 213	$ (3,687)	$ 19
Increase (Decrease) in cash	$ 5,018	$ (5,041)	$ (3,213)	$ (852)

Operating activities used cash of $34,372 and $7,919 for the year ended December 31, 2021 and 2020, respectively. For the three months ended December 31, 2021 and 2020, operating activities used (provided by) cash of $(4,762) and $535, respectively. This variance is primarily due to increase in the business activities of the Company including corporate expenses for salaries, professional fees and marketing expenses in Israel, Germany and Canada as well as costs related to the NASDAQ listing, the 2021 Offering and M&A processes. In the twelve months ended December 31, 2021, cash was predominantly used to expand the Company's Canadian operations, facilitate the Company's NASDAQ listing, the 2021 Offering and M&A processes.

Investing activities used cash of $9,012 and $4,075 for the year ended December 31, 2021 and 2020, respectively. For the three months ended December 31, 2021 and 2020, investing activities used cash of $7,082 and $838, respectively. Cash was used primarily as consideration for M&A transactions in the amount of $13,023 balanced by repayment of loan receivable of $7,796. Cash was also used to enhance production through the purchase of equipment for Focus, Adjupharm, Highland and TJAC in the amount of $4,578.

Financing activities used cash of $48,731 and $6,740 for the year ended December 31, 2021 and 2020, respectively. For the three months ended December 31, 2021 and 2020, financing activities used cash of $2,794 and $502, respectively. Most of the cash was derived from the Company's financing round in May 2021 in the amount of $39,622.

SELECTED ANNUAL INFORMATION

For the year ended	December 31, 2021	December 31, 2020
Revenues	$ 54,300	$ 15,890
Net Loss	$ (18,518)	$ (28,734)
Basic net income (Loss) per share:	$ (0.31)	$ (0.74)
Diluted net income (Loss) per share:	$ (0.66)	$ (0.74)
Total assets	$ 287,388	$ 38,116
Total non-current financial liabilities	$ 31,216	$ 19,237

For the three months ended	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Revenues	$ 20,028	$ 14,393	$ 11,112	$ 8,767
Net income (Loss)	$ (12,488)	$ (5,656)	$ (5,089)	$ 4,715
Basic net income (Loss) per share:	$ (0.19)	$ (0.06)	$ (0.10)	$ 0.11
Diluted net loss per share:	$ (0.19)	$ (0.18)	$ (0.23)	$ (0.06)

For the three months ended	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Revenues	$ 4,900	$ 5,893	$ 3,757	$ 1,340
Net income (Loss)	$ (19,976)	$ 738	$ (9,696)	$ 200
Basic net income (Loss) per share:	$ (0.13)	$ 0.004	$ (0.52)	$ (0.003)
Diluted net income (Loss) per share:	$ (0.13)	$ 0.004	$ (0.52)	$ (0.003)

As it can be shown, on a nearly quarterly basis, the Company has consistently increased revenues, which reflects the Group's expansion strategy.

METRICS AND NON-IFRS FINANCIAL MEASURES

This MD&A makes reference to certain non-IFRS financial measures including "Gross Margin" [11], "EBITDA", and "Adjusted EBITDA". These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should neither be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. For more information on non-IFRS financial measures, see the "*Non-IFRS Financial Measures*"

Management defines EBITDA as income earned or lost from operations, as reported, before interest, tax, depreciation and amortization. Adjusted EBITDA is defined as EBITDA, adjusted by removing other non-recurring or non-cash items, including the unrealized change in fair value of biological assets, realized fair value adjustments on inventory sold in the period, share-based compensation expenses, and revaluation adjustments of financial assets and liabilities measured on a fair value basis. Management believes that Adjusted EBITDA is a useful financial metric to assess its operating performance on a cash adjusted basis before the impact of non-recurring or non-cash items. Management defines gross margin as the difference between revenue and cost of goods sold divided by revenue (expressed as a percentage), prior to the effect of a fair value adjustment for inventory and biological assets.

The non-IFRS financial measures can provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. Our management also uses these non-IFRS financial measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. As required by Canadian securities laws, we reconcile these non-IFRS financial measures to the most comparable IFRS measures.

	For the year ended December 31,		For the three months ended December 31,	
	2021*	2020	2021*	2020
Operating Loss	$ (38,389)	$ (8,245)	$ (11,722)	$ (6,383)
Depreciation & Amortization	$ 6,004	$ 930	$ 2,400	$ 258
EBITDA	$ (32,385)	$ (7,315)	$ (9,322)	$ (6,125)
IFRS Biological assets fair value adjustments, net	$ 1,586	$ (1,659)	$ (538)	$ (2,284)
Share-based payments	$ 7,471	$ 3,382	$ 2,117	$ 1,251
Non-recurring costs related to the RTO	-	-	-	-
Costs related to the NASDAQ listing	$ 1,296	$ 175	$ 35	$ 175
Other Non-recurring costs	$ -	$ 520	$ (570)	$ (5)
Adjusted EBITDA (Non-IFRS)[1]	$ (22,032)	$ (4,897)	$ (8,278)	$ (2,420)

* Acquisition costs, in the amount of $4,359 and $32 for the twelve and three months ended December 31, 2021, respectively, have not been adjusted in the above-mentioned table. Had these non-operational acquisition costs been adjusted, the Company's Adjusted EBITDA for the twelve and three months ended December 31, 2021 would have been $(17,673) and $(8,246), respectively.

Adjusted EBITDA for the year ended December 31, 2021 and 2020 was $(22,032) and $(4,897), respectively, representing a decrease of $17,135. Adjusted EBITDA for the three months ended December 31, 2021, and 2020 was $(8,278) and $(2,420), respectively, representing a decrease of $5,858. The Company's Adjusted EBITDA for the year ended December 31, 2021 decreased primarily due to the previously disclosed delays in contracted shipments to Germany from its primary supply partner as well as labour and shipping disruptions caused by COVID-19 in Canada in last month of the fourth quarter of 2021 and integration costs for acquisitions in Canada and Israel. Additional impact on the Adjusted EBITDA derived from general and administrative costs mainly attributable to the growing corporate activities in Israel, Germany, and Canada, professional services derived from legal fees and other consulting services, M&A transaction costs, salaries to employees and increased insurance costs upon listing on NASDAQ. Adjusted EBITDA is expected to climb with the full integration of Trichome and MYM as well as the consolidation of the newly acquired retail activities in Israel.

CONTINGENT LIABILITIES AND COMMITMENTS

Rental Liabilities

The table below summarizes the maturity profile of the Group's lease liabilities based on contractual undiscounted payments (including interest payments):

December 31, 2021**:**

	Less than one year	1 to 5 years	6 to 10 years	>10 years
Lease liabilities	$ 3,068	$ 11,844	$ 15,379	-

December 31, 2020**:**

	Less than one year	1 to 5 years	6 to 10 years	>10 years
Lease liabilities	$ 172	$ 312	$ 534	-

The maturity profile of the Company's other financial liabilities with liquidity risk (trade payables, other account payable and accrued expenses) as of December 31, 2021 and 2020, are less than one year.

LITIGATION

Class Action T.Z. 35676-08-19 Tel Aviv - Jaffa District Court

On August 19, 2019, a cannabis consumer (the "**Applicant**") filed a motion for approval of a class action to Tel Aviv - Jaffa District Court (the "**Motion**") against 17 companies (the "**Parties**") operating in the field of medical cannabis in Israel, including Focus. The Applicant's argument is that the Parties did not accurately mark the concentration of active ingredients in their products. The personal suit sum for each class member stands at NIS 15,585 and the total amount of the class action suit is estimated at NIS 685,740,000. On June 2, 2020, the Parties submitted their response to the Motion. The Parties argue in their response that the threshold conditions for approval of a class action were not met, since there is no reasonable possibility that the causes of action in the Motion will be decided in favor of the class group. On July 3, 2020 the Applicant submitted his response to the Parties' response. On July 5, 2020 the Applicant was absent from the hearing. As a result, on July 23, 2020 the Parties filed an application for a ruling of expenses which received a response from the Applicant on August 12, 2020, asking to decline this request. On September 29, 2020 the court ruled that the Applicant would pay the Parties' expenses amount of NIS 750. On July 14, 2021 a prehearing was held. The court recommended the parties negotiate independently to avoid litigation, and if negotiations fail, then to begin mediation proceedings. The parties agreed to follow the court's recommendations. Negotiations between the parties have not yet commenced. On November 3, 2021 the court ruled the parties will file an update regarding the mediation procedure, in 30 days. The parties conducted unsuccessful negotiations and are now waiting for a court decision regarding the continuation of the proceedings.

As of the date of this Annual Information Form, due to the current preliminary state of the litigation process and based on the opinion of legal counsel to Focus, the Company's management believes that it is not reasonably possible to assess the outcome of the proceeding. Therefore, no provision has been recorded in respect thereof.

Supreme Court of Justice 2335/19

On March 2019 a petition was filed to the Supreme Court of Israel by the Medical Cannabis Association against MOH regarding the new regulatory framework of the cannabis market (the "**Petition**"). Subsequently, additional 10 respondents joined the Petition.

On October 6, 2019, Focus received a decision regarding the Petition, concerning the new regulatory framework of the cannabis market and demanding that the court resolve as follows:

- that the MOH immediately suspend the implementation of the new regulation that harms, disproportionally, the medical cannabis patients;
- that the implementation of the new regulation, as is, would cause violation of constitutional rights of the medical cannabis patients; and
- that the MOH amends the flaws of the new regulation, prior to becoming effective, and to establish new regulations regarding labeling and use of pesticides.

The decision provided for an interim injunction, extending the validity of patient licenses until the earlier of March 31, 2020 or 10 days after the date the MOH reaches a conclusion regarding the price control of medical cannabis products.

According to the decision, Focus was attached to the proceedings as a respondent. Accordingly, Focus filed its response to the petition on November 12, 2019.

On March 8, 2020, the court decided to extend the validity of the interim injunction, so that the medical cannabis use licenses, which were extended under the decision, would continue to be valid until May 15, 2020, or 10 days after the price committee's decision on the matter before it, whichever comes first, subject to another court decision.

The court also decided that if a further extension of the period of the interim injunction is granted beyond May 15, 2020, to the extent required, it would be subject to medical surveillance by the attending physician, the details of which were to be included in the patient's existing use license.

In light of several applications by the respondent represented by the state attorney's office, for extension to file updated notice to the court, the interim injunction was extended on July 30, 2020, until and subject to other decision of the court.

On October 29, 2020, the respondents represented by the state attorney's office filed an update notice stating that the appeals committee unanimously decided against imposing price controls on medical cannabis products and that the prices committee would hold a follow-up hearing in four months. The respondents also requested to update the court again in two months.

On November 25, 2020, the petitioner submitted their response to the respondents' update.

On March 25, 2021, the respondents represented by the State Attorney's Office filed an updating notice stating that the Prices Committee had come to a decision against imposing price controls on medical cannabis products. However, the Prices Committee announced that it will issue an RFI to the corporations engaged in the medical cannabis market and assess the market every six months. Following the aforementioned, the respondents represented by the State Attorney's Office believe that the appeal should be rejected and the interim injunction should be canceled. On April 13, 2021, three of the respondents filed a response to the court, requesting to reject the appeal and to cancel the interim injunction.

On April 25, 2021, the petitioner filed a response to the update notice from March 25, 2021, objecting to the position of the respondents represented by the State Attorney's Office, requesting the court to resolve as requested in the petition and grant the requested remedies to the petitioner. On July 6, 2021, the petitioner filed an urgent request to the court, to issue orders to the respondents represented by the State Attorney's Office, to request information from corporations engaged in the medical cannabis market in order to continue the examination of the market, according to the Prices Committee's announcement mentioned above, and requested the court reschedule the September 19, 2021 hearing date to an earlier date. The petitioner's request was rejected by the court on July 7, 2021, and on September 19, 2021, a hearing was held. On November 16, 2021 the court ruled the motion will delete, and the interim injunction will be cancelled in 10 days. Following a request submitted by the petitioner, on November 15, 2021 the court determined the interim injunction will extend until 1.3.22. Additional requests submitted for an extension of the interim order were denied.

Supreme Court of Justice 8249/2

On December 1, 2021 the Medical Cannabis Association filed a motion to Supreme Court of Justice of Israel for further hearing regarding the court ruling on 2335/19 as detailed above. The petitioner also submitted a request for an exemption from the obligation to pay a fee or deposit a deposit. On February 9, 2022 the petitioner submitted an urgent request for a ruling by the court as well as a request to extend the validity of the interim injunction, for at least three additional months. On February 24, 2022 the court overruled the request for a further hearing in the petition, as well as the request to extend the validity of the interim injunction.

Planning and Construction 66813-06-21 Beer Sheva Magistrate Court

On July 11, 2021 the Company was informed that on June 30, 2021, a claim was filed to Beer Sheva Magistrate Court (the " **Construction Proceedings**"), by the municipal committee presiding over planning and construction in southern Israel (the "Construction Committee") against Focus, Focus' directors and officers, including Oren Shuster and Rafael Gabay, and certain landowners, claiming for inadequate permitting for construction relating to the Focus Facility ("Construction Allegations").

On December 6, 2021 the defendants filed a motion Request for dismissal the indictment on the ground of defense of justice. The municipal committee filed her response and after that the defendants filed a response to the municipal committee's response. As of the date of this letter no decision has yet been made on the application.

A hearing was initially set to December 1, 2021 but has been postponed to June 13, 2022.

At this preliminary stage, based on the opinion of Focus' legal counsel, Company management cannot assess the chances of the claim advancing or the potential outcome of the Construction Proceedings. Therefore, no provision has been recorded in respect thereof.

COVID-19 Test Kits Claim, District Court of Stuttgart

On November 19, 2021, Adjupharm filed a Statement of Claim (the "Claim") to the District Court of Stuttgart (the "Court") against Stroakmont & Atton Trading GmbH ("Stroakmont & Atton"), its shareholders and managing directors regarding a debt owed by Stroakmont & Atton to Adjupharm in an amount of approximately EUR 947,563 for COVID-19 test kits purchased by Stroakmont & Atton from Adjupharm in May 2021. The Claim was accepted on December 2, 2021. In January 2022, Stroakmont & Atton filed its Statement of Defence to the Court in which they essentially stated two main arguments for their defense:

1. that the contractual partner of the Company is not the defendant, Stroakmont & Atton is not the real purchaser rather rather a company named Uniclaro GmbH.

2. that the Company allegedly placed an order with Uniclaro GmbH for a total of 4.3 million Clongene Covid-19 tests, of which Uniclaro GmbH claims to have a payment claim against the Company for a partial delivery of 380,400 Clongene tests in the total amount of EUR 941,897.20. Uniclaro GmbH has assigned this alleged claim against the Company to Stroakmont & Atton Trading GmbH, and Stroakmont & Atton Trading GmbH has precautionary declared a set-off against the Company's claim.

On March 22, 2022 Adjupharm filed a response to Stroakmont & Atton's Statement of Defence and rejected both allegations with a variety of legal arguments and facts and also offered evidence to the contrary in the form of testimony from the witnesses in question.

The burden of proof for both allegations lies with the opponents and they offered evidences to the court in the form of testimony from certain witnesses. If the opponents succeed in proving both allegations to the court, the chances of winning the lawsuit will be considerably reduced. However, it will not be easy for the opponents to present evidence of these allegations.

The Regional Court of Stuttgart set the date for the conciliation hearing (*Güteverhandlung*) and the main hearing (*Hauptverhandlung*) for May 27, 2022.

At this stage, the Company management cannot assess the chances of the claim advancing or the potential outcome of this Proceedings.

OFF-BALANCE SHEET ARRANGEMENTS

IM Cannabis had no off-balance sheet arrangements as at December 31, 2021.

TRANSACTIONS WITH RELATED PARTIES

Trichome, through a management service agreement, provided investment management services to the Fund during the year ended December 31, 2021. Under IFRS 10, the Fund is an equity accounted investment and therefore is not consolidated with the results of the Company.

On January 1, 2021, the Company amended the terms of each of the IP Agreement and the Services Agreement to align the consideration with implementation of the Company's transfer pricing framework. The amendments to these agreements constituted a "related party transaction" as such term is defined in MI 61-101. The Company was exempt from the formal valuation requirement under Section 5.5(a) and the minority approval requirement under Section 5.7(1)(a) of MI 61-101, respectively, as the fair market value of the amendments, as determined by the Board, did not exceed 25% of the Company's market capitalization on the date of such amendments.

Other than the investment management activities noted above, the Company had no other transactions with related parties outside of the Group except those pertaining to transactions with key management personnel and shareholders in the ordinary course of their employment or directorship. Transactions with related parties for the sale of Focus due to the restructuring process were adjusted in the Company's consolidated financial statements following the application of IFRS 10. See the "*Legal and Regulatory – Restructuring*" section of the MD&A.

PROPOSED TRANSACTIONS

There are no proposed transactions as at the date of this MD&A that have not been disclosed.

CRITICAL ACCOUNTING ESTIMATES

In the process of applying the significant accounting policies, the Group has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

a. *Judgments*

Determining the fair value of share-based payment transactions

The fair value of share-based payment transactions is determined upon initial recognition by an acceptable option pricing model. The inputs to the model include share price, exercise price and assumptions regarding expected volatility, expected life of the share options and expected dividend yield.

Discount rate for a lease liability

When the Company is unable to readily determine the discount rate implicit in a lease in order to measure the lease liability, the Company uses an incremental borrowing rate. That rate represents the rate of interest that the Company would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. When there are no financing transactions that can serve as a basis, the Company determines the incremental borrowing rate based on its credit risk, the lease term and other economic variables deriving from the lease contract's conditions and restrictions. The rates at which the Company can borrow will also vary based on the jurisdiction of the leased property, whether it be Israel, Germany, or Canada. In certain situations, the Company is assisted by an external valuation expert in determining the incremental borrowing rate.

b. *Estimates and assumptions*

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the reporting date and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Assessment of going concern

The use of the going concern basis of preparation of the financial statements. At each reporting period, management assesses the basis of preparation of the financial statements. These financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

In arriving at this determination, the Company has undertaken a thorough review of the Group's cash flow forecast and potential liquidity risks. Cash flow projections have been prepared which show that the Group's operations will be cash generative during the period of at least 12 months from the date of approval of the consolidated financial statements.

Biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make several estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices, expected yields for the cannabis plants, and oil conversion factors. The valuation of work-in-process and finished goods also requires the estimate of conversion costs incurred, which become part of the carrying amount for the inventory. The Company must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged. See Note 4 of the Annual Financial Statements for further information.

Business combinations

In determining the fair value of all identifiable assets acquired and liabilities assumed, the most significant estimates generally relate to contingent consideration and intangible assets. Management exercises judgment in estimating the probability and timing of when earn-outs are expected to be achieved, which is used as the basis for estimating fair value. Identified intangible assets are fair valued using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Impairment of property, plant and equipment and finite life intangible assets

The Company assesses impairment of property, plant and equipment and finite life intangible assets when an impairment indicator arises (e.g., change in use or discontinued use, obsolescence or physical damage). When the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, the asset is tested at the cash generating unit ("**CGU**") level. In assessing impairment, the Company compares the carrying amount of the asset or CGU to the recoverable amount, which is determined as the higher of the asset or CGU's fair value less costs of disposal and its value-in-use. Value-in-use is assessed based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects applicable market and economic conditions, the time value of money and the risks specific to the asset. An impairment loss is recognized whenever the carrying amount of the asset or CGU exceeds its recoverable amount and is recorded in the consolidated statements of comprehensive loss.

Impairment of intangible assets with indefinite life and goodwill

Goodwill and intangible assets with an indefinite life or not yet available for use are tested for impairment annually, and whenever events or circumstances that make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose all or a portion of a reporting unit. Finite life intangible assets are tested whenever there is an indication of impairment. Goodwill and indefinite life intangible assets are tested for impairment by comparing the carrying value of each CGU containing the assets to its recoverable amount. Goodwill is allocated to CGUs or groups of CGU's for impairment testing based on the level at which it is monitored by management, and not at a level higher than an operating segment. Goodwill is allocated to those CGUs or groups of CGUs expected to benefit from the business combination from which the goodwill arose, which requires the use of judgment. An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds it recoverable amount. The recoverable amounts of the CGUs' assets have been determined based on either fair value less costs of disposal or value-in-use method. There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the CGU, given the necessity of making key economic assumptions about the future. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying value of assets in the CGU. Any impairment is recorded in profit and loss in the period in which the impairment is identified. A reversal of an asset impairment loss is allocated to the assets of the CGU on a pro rata basis. In allocating a reversal of an impairment loss, the carrying amount of an asset shall not be increased above the lower of its recoverable amount and the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior period. Impairment losses on goodwill are not subsequently reversed.

Legal claims

In estimating the likelihood of legal claims filed against certain entities of the Group, the Company's management rely on the opinions of the respective legal counsel of each relevant entity of the Group. These estimations are based on each legal counsel's best professional judgment, taking into account the stage of proceedings and legal precedents in respect of the different issues. Since the outcome of the claims may be determined in courts, the results could differ from these estimations.

Deferred tax assets

Deferred tax assets are recognized for unused carry-forward tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the timing and level of future taxable profits, its source and the tax planning strategy.

Valuation of loans receivable

For loans receivable measured at amortized cost or at Fair Value Through Profit or Loss (" **FVTPL**") under IFRS 9 *Financial Instruments* ("**IFRS 9**"), judgment is used by the Company in determining the fair value of the loan at inception of the lending arrangement and at each reporting period. The fair value of the loan at any given point in time is calculated based on the present value of estimated future loan payments, discounted using an interest rate that would be charged by another market participant for a financing arrangement with similar characteristics. Judgment is used by the Company in determining what the interest rate would be for sourcing a similar financing arrangement in the market. This can lead to material fair value gains or losses on loans held at FVTPL.

Derecognition and modification of loans receivable

The Company uses judgment in determining whether the change in the terms of the lending arrangement qualifies as a derecognition of the loan or a modification of the loan under IFRS 9. Depending on the Company's judgment, the manner in which the loan is treated, be it a modification or a settlement, can result in materially different results in interest revenue or other income. If there is a modification in a lending arrangement subsequent to initial recognition, the Company also reassesses the need to modify the expected credit loss associated with the loan.

Share-based payments

The Company uses the Black-Scholes option pricing model in determining the fair value of Options issued to employees. In estimating fair value, the Company is required to make certain assumptions and estimates such as the expected life of the options, volatility of the Company's future share price, the risk-free rate, future dividend yields and estimated forfeiture rates at the initial grant date.

Equity accounted investees

Significant judgment is used by the Company in assessing control of the Company's investment in its equity accounted investee – the Fund. Although not holding more than a 20% stake in the Fund, the Company concluded that significant influence exists under IFRS 10 based on the Company's management of day-to-day operations of the business and overall investment management.

Estimated useful lives and depreciation/amortization of property and equipment, as well as intangible assets

Depreciation and amortization of property and equipment, as well as intangible assets, are dependent upon estimated useful lives which are determined through the exercise of judgment. Estimated useful lives are assessed at the end of each reporting period for any changes in the expected life of the asset and consumption of economic benefits from the use of the asset. Amortization as well as depreciation commences when the asset is first put into use. The expected life of any intangible assets with a finite life are assessed at the end of each reporting period.

Leases

Judgment is used in determining the value of the Company's right-of-use assets and lease liabilities. The value determined for the Company's right-of-use assets and lease liabilities can be materially different based on the discount rate selected to present value the future lease payments as well as the likelihood of the Company exercising extensions, termination, and/or purchase options. The discount rate used to present value the future lease payments over the life of the lease is based on the Company's incremental borrowing rate at inception of the lease. This rate is determined by the Company using judgment.

In determining the value of the Company's right-of-use assets and lease liabilities, the Company assesses future business plans to determine whether to include certain extension options noted in the lease agreement.

If there is no interest rate implicit in the lease agreement, the Company uses a discount rate that would be charged to a similar borrower, with similar risk characteristics, in a mortgage loan to purchase the leased facility. This discount rate is used to present value the future lease payments in determining the right-of-use asset and lease liability values at inception of the leases.

Revenue recognition

Under IFRS 15 Revenue from Contracts with Customers, judgment is required in recognizing revenue when variable consideration is present in a contract. In certain supply agreements, the Company stands ready to accept returns on cannabis sales, indicating the possibility of variable consideration.

Judgment is used by the Company in determining which of the above two methods of revenue recognition should be used when recognizing revenue from cannabis sales. Moreover, estimates are used by the Company in determining the amount of revenue to recognize upon delivery and acceptance of cannabis inventory to a customer.

Changes in Accounting Policies Including Initial Adoption

The Company's significant accounting policies under IFRS are contained in the Annual Financial Statements (refer to Note 2 to the Annual Financial Statements). Certain of these policies involve critical accounting estimates as they require management to make particularly subjective or complex judgments, estimates and assumptions about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

The following new accounting standards applied or adopted during the twelve months ended December 31, 2021, had impact on the Annual Financial Statements:

IFRS 3, "Business Combinations":

In October 2018, the IASB issued an amendment to the definition of a "business" in IFRS 3, "Business Combinations" (the " **2018 Amendment**"). The 2018 Amendment is intended to assist entities in determining whether a transaction should be accounted for as a business combination or as an acquisition of an asset.

The 2018 Amendment consists of the following:

1. Clarification that to meet the definition of a business, an integrated set of activities and assets must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create output.

2. Removal of the reference to the assessment whether market participants are capable of acquiring the business and continuing to operate it and produce outputs by integrating the business with their own inputs and processes.

3. Introduction of additional guidance and examples to assist entities in assessing whether the acquired processes are substantive.

4. Narrowing the definitions of "outputs" and "business" by focusing on goods and services provided to customers.

5. Introducing an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The 2018 Amendment is to be applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, with earlier application permitted. The 2018 Amendment is not expected to have a material impact on the Company in the current or future reporting periods.

Amendment to IAS 1, "Presentation of Financial Statements":

In January 2020, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" (the " **2020 Amendment**") regarding the criteria for determining the classification of liabilities as current or non-current.

The 2020 Amendment includes the following clarifications:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The 2020 Amendment is effective for annual periods beginning on or after January 1, 2023 and must be applied retrospectively.

The Company is evaluating the possible impact of the 2020 Amendment on its current loan agreements.

FINANCIAL INSTRUMENTS

Financial instruments are measured either at fair value or at amortized cost. The table below lists the valuation methods used to determine fair value of each financial instrument.

Financial Instruments Measured at Fair Value	Fair Value Method
Derivative assets[1]	Black & Scholes model (Level 3 category)
Unlisted Warrants[1]	Black & Scholes model (Level 3 category)
Listed Warrants[1]	Market price (Level 1 category)
Loans receivable	Discounted Cashflow Method (Level 3 category)
Financial Instruments Measured at Amortized Cost	
Cash and cash equivalents, Trade receivables and other account receivables	Carrying amount (approximates fair value due to short-term nature)
Loans receivable	Amortized Cost (effective interest method)
Trade Payables, other accounts payable and accrued expenses	Carrying amount (approximates fair value due to short-term nature)

Notes:

1 Finance expense (income) include fair value adjustment of Warrants, Investments, and Derivative assets measured at fair value, for the year ended December 31, 2021 and 2020, amounted to $21,638 and $(20,155), respectively.

Finance expense (income) include fair value adjustment of Warrants, Investments, and Accounts Receivable measured at fair value, for the three months ended December 31, 2021 and 2020, amounted to $469 and $(14,107), respectively.

The Group has exposure to the following risks from its use of financial instruments:

Share price risk

The Group's investments in unlisted shares are sensitive to the market price risk arising from uncertainties about the future value of these investments. The Group manages the price risk through diversification and by placing limits on individual and total investment in shares.

The Company's board of directors reviews and approves all decisions related to investments in shares.

At the reporting date, the Group's exposure to investments in unlisted shares measured at fair value was $2,165.

Credit risk

The maximum credit exposure at December 31, 2021, is the carrying amount of cash and cash equivalents, accounts receivable and other current assets. The Group does not have significant credit risk with respect to customers. All cash and cash equivalents are placed with major Israeli financial institutions.

Liquidity risk

As at December 31, 2021, the Group's financial liabilities with liquidity risk consist of trade payables and other accounts payable, which have contractual maturity dates within one year, and lease liabilities. The Group manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Group's working capital position as at December 31, 2021, management considers liquidity risk to be low.

Currency rate risk

As at December 31, 2021, a portion of the Group's financial assets and liabilities held in Euros, Canadian dollars and U.S. dollars consist of cash and cash equivalents. The Group's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties as applicable. The Group does not currently use foreign exchange contracts to hedge its exposure of its foreign currency cash flows, as management has determined that this risk is not significant at this point of time.

Procedures and Internal Control over Financial Reporting

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable IFRS. Internal control over financial reporting should include those policies and procedures that establish the following:

- maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of assets;
- reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable IFRS;
- receipts and expenditures are only being made in accordance with authorizations of management or the board of directors; and
- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial instruments.

The Company's management, with the participation of the Chief Financial Officer, assessed the effectiveness of the Company's internal controls over financial reporting and concluded that as at December 31, 2021, the Company's internal control over financial reporting was effective and yet constantly seek to improve it.

As of December 31, 2021, the Company did not make any significant changes to its internal controls over financial reporting that would have materially affected, or reasonably likely to materially affect, its internal controls over financial reporting.

Limitations of Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that due to inherent limitations, any disclosure controls and procedures or internal control over financial reporting, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that any design will not succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost- effective control system, misstatements due to error or fraud may occur and not be detected. Additionally, management is required to use judgment in evaluating controls and procedures.

LIMITATION ON SCOPE OF DESIGN

The Company is considering all its entities as subject to its controls, policies and procedures. In the first year post-acquisition, each subsidiary goes through an implementation phase, through which the newly acquired subsidiary implements the Company's procedures.

LEGAL AND REGULATORY

RESTRUCTURING

Current Israeli law requires prior approval by the IMCA, a unit of the MOH, of the identity of any shareholder owning 5% or more of an Israeli company licensed by the IMCA to engage in cannabis-related activities in Israel. For a number of reasons, including the opportunity to leverage a network of multiple Israeli licensed producers cultivating under the IMC brand, and in contemplation of a "go-public transaction" to geographically diversify the Company's share ownership, IMC Holdings restructured its organization on April 2, 2019 (the "**IMC Restructuring**") resulting in the divestiture to Oren Shuster and Rafael Gabay of its interest in Focus, which is licensed by the IMCA to engage in cannabis-related activity in Israel.

IMC Holdings retains an option with Messrs. Shuster and Gabay to re-acquire the sold interest in Focus at its sole discretion and in accordance with Israeli cannabis regulations, within 10 years of the date of the IMC Restructuring (the "**Focus Agreement**"). The Focus Agreement sets an aggregate exercise price equal to NIS 765.67 per share of Focus for a total consideration of NIS 2,756,500, that being equal to the price paid by Messrs. Shuster and Gabay for the acquired interests in Focus at the time of the IMC Restructuring.

As part of the IMC Restructuring, IMC Holdings and Focus entered into an agreement in which Focus shall use the IMC brand on an exclusive basis for the sale of any cannabis plant and/or cannabis product produced by Focus, either alone or together with other sub-contractors engaged by Focus through the IP Agreement. Focus is also obligated to exclusively use IMC Holdings for certain management and consulting services including: (a) business development services; (b) marketing services; (c) strategic advisory services; (d) locating potential collaborations on a worldwide basis; and (e) financial analysis services through the Services Agreement" and Commercial Agreements.

Under the IP Agreement, IMC Holdings charges Focus an amount equal to 25% of its revenues on a quarterly basis, which may be adjusted by mutual consent from time to time, as consideration for Focus' use of certain trademarks, know-how, technology and maintenance services provided by IMC Holdings.

Under the Services Agreement, IMC Holdings charges Focus an amount equal to IMC Holdings' cost of providing certain services to Focus plus a 25% mark-up, which may be adjusted by mutual consent from time to time, as consideration for the provision of such services. On January 1, 2021, the Company amended the terms of each of the IP Agreement and the Services Agreement. For more information see "*Corporate Highlights and Events*".

Subsequent to the IMC Restructuring, according to accounting criteria in IFRS 10, the Company is viewed as effectively exercising control over Focus, and therefore, the financial statements of Focus continue to be consolidated with those of the Company, despite the fact that the Company does not own Focus.

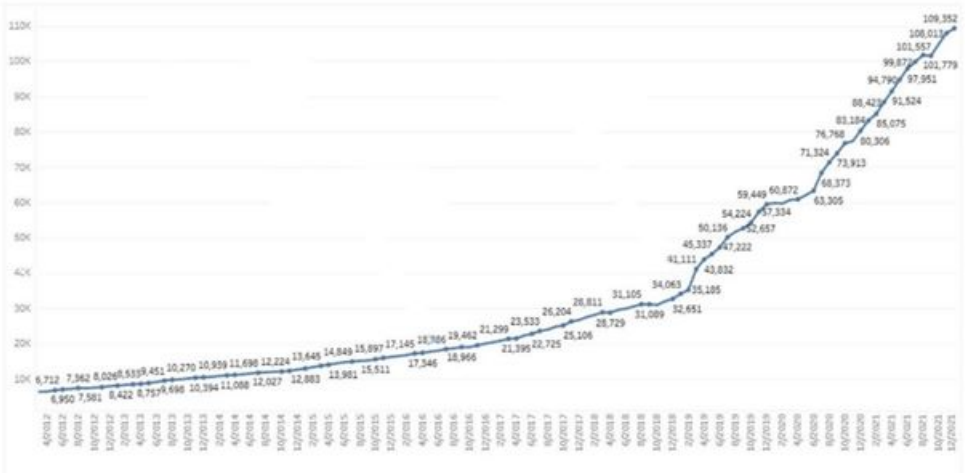
ISRAELI MARKET DEVELOPMENT 2012-2021

According to Israeli Ministry of Health, as of December 2021, there are 109,352 medical cannabis licensed patients in Israel. A monthly prescription of 4,220,000 grams of cannabis were recorded in December 2021 an increase of 1,013,000 grams of cannabis from December 2020.[11]

The chart below reflects the growth in licensed medical cannabis patients in Israel between 2012 to December 2021. [12]

11 Israel Ministry of Health – licensed patients' data as of December 2021 - https://www.health.gov.il/Subjects/cannabis/Documents/licenses-status-december-2021.pdf

12 Ministry of Health – licensed patients' data as of February 2022 - https://www.gov.il/BlobFolder/reports/licenses-status-february-2022/he/licenses-status-february-2022.pdf



REGULATORY FRAMEWORK IN ISRAEL

In Israel, cannabis is currently defined as a "dangerous drug" according to the Dangerous Drugs Ordinance [13] and the 1961 Single Convention on Narcotic Drugs ("**Narcotics Convention**"), to which Israel is a signatory. However, both the DDO and the Narcotics Convention allow for the use of cannabis for medical or research purposes under a supervised and controlled regime. The competent regulatory authority in Israel in all matters concerning the oversight, control and regulation of cannabis for medical production, consumption, and research in Israel is the IMCA, established by Government Res. No. 3069[14]. The production, distribution and consumption of adult-use recreational cannabis products is currently illegal in Israel.

Patient Medical Consumption. The use of cannabis is allowed for patients and for medical purposes, in respect of certain medical conditions, under a special approval of the MOH. Procedure 106[1] of the IMCA sets out a list of medical conditions that are allowed to be treated with medical cannabis products. Such authorized medical conditions are examined and updated from time to time, and include, among others, cancer, pain, nausea, seizures, muscle spasms, epilepsy, Tourette syndrome, multiple sclerosis (MS), amyotrophic lateral sclerosis (ALS), and post-traumatic stress disorder (PTSD).

Licensing and Authorization for Commercial Activities in the Medical Cannabis Field. In December 2017, the IMCA issued regulations that standardized the licensing process for any cannabis related activity (the "**Road Map**").[16] Pursuant to the Road Map, each operation in the medical cannabis field, including the propagation, cultivation, products manufacturing, storage and distribution to licensed pharmacies, and distribution from licensed pharmacies to licensed patients, requires compliance with the provisions of applicable laws, including the procurement of an appropriate license under the DDO from the IMCA and the maintenance of such license in good standing. Cannabis licenses may not be transferred, exchanged or assigned without the prior approval of the IMCA. The licenses are valid for a period of up to 3 years and can be renewed with the approval of the IMCA only.

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13 Cannabis is listed in schedule 1 of the Dangerous Drugs Ordinance [New Version], 1973 [Hebrew] https://www.health.gov.il/LegislationLibrary/Samim_01_EN.pdf

14 Israeli Government Res. No. 3609 [Hebrew], August 7th, 2011 https://www.gov.il/he/Departments/policies/2011_des3609

15 Ministry of Health Pharmaceutical Division Policy Number 106 – Licenses for Use of Cannabis https://www.health.gov.il/hozer/DR_106.pdf (in Hebrew)

16 Directive 107 - Guidelines for the process of licensing the practice of cannabis for medical use, as amended on October 2020 [Hebrew] - https://www.health.gov.il/hozer/CN_107_2019.pdf

The MOH has issued a set of directives containing procedures and requirements for applicants for cannabis related activity licenses and has authorized certain entities to issue official certificates upon compliance with such directives. These directives include (i) Directive 150 (GSP Standard certification); (ii) Directive 151 (GAP Standard certification); (iii) Directive 152 (GMP Standard certification); and (iv) Directive 153 (GDP Standard certification). Regular and periodic examinations are conducted for licensed entities, in order to ensure compliance with the analytical standards and the level of quality required during each of the phases of production and distribution of medical cannabis.

Medical Cannabis Imports and Exports. The Narcotics Convention governs the import and export of cannabis between member countries. Since Israel is a member country, any export and import of cannabis is subject to the Narcotic Convention.

In October 2020, the IMCA issued an updated procedure, titled "Guidelines for Approval of Applications for Importation of Dangerous Drug of Cannabis Type for Medical Use and for Research" ("**Procedure 109**"), describing the application requirements for cannabis import licenses for medical and research purposes. Therefore, each import of medical cannabis is to be approved by the IMCA issuing a specific import permit for each imported shipment, rather than a general license for import. An application for import of medical cannabis can be submitted by an entity licensed by the IMCA for the conduct of medical cannabis related activity. The Israeli government approved the export of pharmaceutical-grade cannabis and cannabis-based products on January 27, 2019[17], and in December 2020, the IMCA published guidelines for the medical cannabis export permit application process.[18].

Legalization of Adult-Use Recreational Cannabis and CBD for non-medical purposes in Israel. As of the date of this Annual Information Form, adult-use recreational cannabis use in Israel and CBD for non-medical use is illegal. In November 2020, an Israeli government committee responsible for advancing the cannabis market reform published a report supporting and recommending the legalization of adult-use recreational cannabis in Israel. The Israeli parliament dissolved since then without applying the committee's' recommendations and all legislative initiatives were suspended. However, the new government, formed on June 13, 2021, declared, and settled in the coalition agreement, its commitment to legalization of adult-use recreational cannabis. Since the formation of the new government, several legislative initiatives were filed, including for the decriminalization of the possession of cannabis for individual recreational adult-use and the legalization of CBD for non-medical use. These initiatives were not accepted; however they are viewed as first steps towards more comprehensive legislation towards the legalization of adult-use recreational cannabis. Members of the Israeli government continue to affirm their commitment to the legalization of adult-use recreational cannabis.

17 Directive 4490 [Hebrew] - https://www.gov.il/he/departments/policies/dec4490_2019
18 Directive 110, December 2020 [Hebrew] - https://www.health.gov.il/hozer/CN_110.pdf

Previous Regime and Price Control. Until September 2019, under the previous regime, patients licensed for consumption of medical cannabis products by the IMCA received all of their medical cannabis products authorized under their respective licenses at a fixed monthly price of NIS 370, regardless of each patient's authorized amount. Since September 2019, under the new regime, licenses to patients were no longer entitling them for such fixed monthly price. However, some medical cannabis patient licenses granted under the previous regime remain valid, entitling their holders to receive medical cannabis products pursuant to the price controls and supplier restrictions of the former regime. All licenses under the previous regime expired in Q1 2022. For more information, please see "Legal Proceedings and Regulatory Actions – Legal Proceedings – Supreme Court of Justice 2335/19".

REGULATORY FRAMEWORK IN CANADA

Canada

The Cannabis Act and the Cannabis Regulations came into force on October 17, 2018, legalizing the sale of adult-use recreational cannabis. The Cannabis Act and Cannabis Regulations establish a licensing and permitting scheme for the production, importation, exportation, testing, packaging, labelling, sending, delivery, transportation, sale, possession and disposal of adult-use recreational cannabis.

On October 17, 2019, amending regulations titled the *Regulations Amending the Cannabis Regulations* came into force that, among other things, expanded the scope of the Cannabis Act and Cannabis Regulations to enable the sale of certain categories of cannabis, including cannabis extracts, topicals and edibles, and set THC content limits for certain categories of cannabis products.

Licensing. The Cannabis Regulations establish six classes of licenses under the Cannabis Act: (i) cultivation licences, including standard cultivation, micro-cultivation and nursery sub-classes; (ii) processing licences, including standard processing and micro-processing sub-classes; (iii) analytical testing licences; (iv) sales for medical purposes licences; (v) research licences; and (vi) cannabis drug licences. These licences are valid for a period of up to five years. Licence requirements and rules differ depending on the class and/or sub-class of the licence.

Security Clearances. Certain people associated with cannabis licensees must hold a valid security clearance issued by Canada's Minister of Health. For example, in the case of corporations that hold licences for cultivation, processing or sale, directors, officers and other individuals who exercise, or are in positions to exercise, direct control over the corporation are required to hold such a security clearance. Under the Cannabis Regulations, the Minister may refuse to grant security clearances to individuals with organized crime associations or past convictions for, or in association with, drug trafficking, corruption or violent offences. Individuals who have a history of nonviolent, lower-risk criminal activity (for example, simple possession of cannabis or small-scale cultivation of cannabis plants) are not precluded by legislation from participating in the legal cannabis industry, and the granting of security clearance to such individuals is at the discretion of the Minister.

Cannabis Tracking System. Under the Cannabis Act, the Minister is authorized to establish and maintain a national cannabis tracking system. Accordingly, Health Canada introduced the Cannabis Tracking and Licensing System, whereby licence holders are required to use this online system to submit monthly tracking reports, new license applications and licence renewal requests, among other things. The purpose of this system is to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the legal market. The Cannabis Act provides the Minister with the authority to make a ministerial order that would require licensees to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister.

Cannabis Products. The Cannabis Act and Cannabis Regulations, as amended, set out the requirements for the sale of dried cannabis, fresh cannabis, cannabis plants, cannabis seeds, cannabis edibles, cannabis extracts and cannabis topicals. Among other requirements, THC content limits are prescribed depending on the product category.

Packaging & Labelling. The Cannabis Regulations set out detailed requirements pertaining to the packaging and labelling of cannabis products that seek to promote informed consumer choice and allow for the safe handling and transportation of cannabis, while also reducing the appeal of cannabis to youth and promoting safe consumption. These requirements include plain packaging for cannabis products and packaging that is tamper-proof and child-resistant. The Cannabis Regulations further require package labels to include, among other information, the class of cannabis and the name, phone number and email of the licensed cultivator or processor, the standardized cannabis symbol and information pertaining to the THC and CBD content. Specific requirements vary depending on the product category of cannabis.

Promotion. The Cannabis Act prohibits the promotion of cannabis, cannabis accessories and cannabis-related services unless authorized by the Cannabis Act through certain exceptions prescribed in the Cannabis Act and the Cannabis Regulations.

Medical Cannabis. In addition to governance of recreational cannabis activities, the Cannabis Regulations also govern the regulatory framework associated with medical cannabis in Canada. Prior to the coming into force of the Cannabis Act and Cannabis Regulations, the sale of medical cannabis was permitted under the ACMPR. Although the ACMPR was replaced by the Cannabis Act and Cannabis Regulations, the new rules were not significantly different from the previous rules; changes were made to improve patient access, ensure consistency with recreational cannabis rules, and reduce the risk of abuse within the medical access system.

Provincial and Territorial Regulatory Framework. While the Cannabis Act provides for the regulation of adult-use cannabis production by the federal government, provincial and territorial governments maintain authority to regulate other aspects of adult-use recreational cannabis activities such as sale and distribution, minimum age requirements, and places where cannabis can be consumed. The following chart summarizes the basic recreational cannabis regimes in place as of the date of this Annual Information Form:

Province or Territory	Minimum Age to Purchase Recreational Cannabis Products	Private and/or Public Operated Retailers	Online Sales
Alberta	18	Private and Public	Yes (Public only)
British Columbia	19	Private and Public	Yes (Public only)
Manitoba	19	Private	Yes
New Brunswick	19	Public	Yes
Newfoundland and Labrador	19	Private and Public	Yes (Public only)
Nova Scotia	19	Public	Yes
Ontario	19	Private and Public	Yes (Public only)
Prince Edward Island	19	Public	Yes
Quebec	21	Public	Yes
Saskatchewan	19	Private	Yes
Northwest Territories	19	Private and Public	Yes (Public only)
Nunavut	19	Private and Public	Yes
Yukon	19	Private and Public	Yes (Public only)

REGULATORY FRAMEWORK IN GERMANY

On March 10, 2017, the German federal government enacted bill Bundestag-Drucksache 18/8965 – Law amending narcotics and other regulations that amended existing narcotics legislation to recognize cannabis as a form of medicine and allow for the importation and domestic cultivation of medical cannabis products. Under the updated legislation, cannabis is listed in Annex 3 to the Federal Narcotics Act ("BtMG") as a "marketable narcotic suitable for prescription". Legalization in Germany applies only to cannabis for medicinal purposes under state control in accordance with the Narcotic Convention. Currently, the production, distribution, exportation and importation of medical cannabis products in Germany is legal, subject to regulations and licensing requirements, while operations involving adult-use recreational cannabis products remain illegal. Nevertheless, current German government has declared in the coalition agreement its intention to open up the German market also in the recreational market. So far, however, there have been no visible further developments in this regard. Medical cannabis in Germany must comply with the corresponding monographs of the German and European pharmacopoeia. All BtMG permit applications must specify the strains and estimated quantities of medical cannabis involved and any subsequent changes must be reported to the Federal Opium Agency of Germany.

Unlike cannabis, CBD is not subject to German narcotics laws and may or may not be subject to German drug laws, depending on its use and dosage. Annex 1 of the Ordinance on the Prescription of Medicinal Products stipulates that CBD is in principle subject to prescription but does not specify a minimum quantity or a specific dosage form. However, a distinction must be made between consumable products that naturally contain CBD and those that are infused with CBD extract; the European Commission considers the latter to be a type of "food". In light of the above, various products containing CBD can be found in the German market.

Cultivation in Germany and Distribution of Medical Cannabis Cultivated in Germany. The Federal Opium Agency of Germany's Federal Institute for Drugs and Medical Devices ("BfArM") formed a cannabis division (the "Cannabis Agency") to oversee cultivation, harvesting, processing, quality control, storage, packaging and distribution to wholesalers, pharmacists and manufacturers. The Cannabis Agency also regulates pricing of German-produced medical cannabis products and serves as an intermediary of medical cannabis product sales between manufacturers, wholesalers and pharmacies on a non-profit basis. In late 2018, the Cannabis Agency issued a call for tenders to award licenses for local medical cannabis cultivation and distribution of German-cultivated medical cannabis products (the "**German Local Tender**"). The Cannabis Agency would serve as an intermediary in the supply chain between such cultivation and distribution. In April 2019, three licences for local cultivation were granted. In consequence three companies in Germany cultivate on behalf of the Cannabis Agency of the BfArM. Each license permitted the holder to grow up to 200kg per year for total production of 2,600kg per year collectively from the 13 cultivation lots and 10,400kg over the four-year license period. In July 2021, the BfArM launched the state sale of cannabis grown in Germany. Since then, pharmacies have been able to purchase medical cannabis in pharmaceutical drug quality for the supply of patients from the BfArM via the portal www.cannabisagentur.de. The sale from the BfArM to pharmacies is at a price of 4.30 euros per gram.

The Cannabis Agency has no influence on the actual retail price of medical cannabis products, and is not responsible for the import of medical cannabis products and will therefore neither purchase nor distribute imported medical cannabis products. As a wholesaler, the Cannabis Agency sells German-based medical cannabis products in its own name.

Import volumes and procedures. The current regime permits the importation of cannabis plants and plant parts for medicinal purposes under state control subject to the requirements under the Narcotic Convention, according to which, Germany must estimate the expected demand of medical cannabis products for medical and research purposes for the following year and report such estimates to the International Narcotics Control Board.

As a prerequisite to obtaining a German import license, the supplier must grow and harvest in compliance with EU-GACP-Guidelines and manufacture in compliance with EU-GMP-Guidelines and certifications. All medical cannabis products imported to Germany must derive from plant material cultivated in a country whose regulations comply with the Narcotic Convention, and must comply with the relevant monographs described in the German and European pharmacopeias. While these requirements also apply to the exportation of medical cannabis products, the current German regime does not allow domestically cultivated medical cannabis products to be directly sold to commercial entities other than the Cannabis Agency.

Dispensing Exclusively via Pharmacies. Medical cannabis products imported pursuant to an import license under the BtMG and AMG/BtMG permits are sold exclusively to pharmacies for final dispensing to patients on a prescription basis as 'magistral preparations', a term used in Europe to refer to medical products prepared in a pharmacy in accordance to a medical prescription for an individual patient. Magistral preparations require certain manufacturing steps in the pharmacy. Such manufacturing steps of the pharmacist typically include the testing and dosing of pre-packaged cannabis inflorescences (typically referred to as "floss"), medical cannabis products for oral administration (dronabinol), medical cannabis products for inhalation upon evaporation, and medical cannabis-infused teas. In addition to magistral preparations, medical cannabis products are also marketable as pre-packaged, licensed drugs (e.g. Sativex®).

No U.S. Cannabis-Related Activities

The Group does not engage in any U.S. cannabis-related activities as defined in Canadian Securities Administrators Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities*".

RISK FACTORS

The Company has implemented risk management governance processes that are led by the board of directors, with the active participation of management, and updates its assessment of its business risks on an annual basis. Notwithstanding, it is possible that the Company may not be able to foresee all the risks that it may have to face. The market in which IM Cannabis currently competes is complex, competitive and changing rapidly, and its business is subject to risks inherent in a high growth, heavily regulated enterprise, and the Company has identified certain risks pertinent to the Group's business that may have affected or may affect the Group's business, financial conditions, results of operations and cash flows, as further described throughout this MD&A and under "Risk Factors" in the Annual Information Form. For additional risk factors, readers are directed to the Company's most recent Annual Information Form, which is (a) available under the Company's issuer profile on SEDAR at www.sedar.com, and (b) incorporated into and forms part of the Company's annual report on Form-40F filed on EDGAR at www.sec.gov. Sometimes new risks emerge, and management may not be able to predict all of them or be able to predict how they may cause actual results to be different from those contained in forward looking statements. Readers of this MD&A should not rely upon forward looking statements as a prediction of future results.

Credit Risk

The maximum credit exposure as of December 31, 2021, is the carrying amount of cash and cash equivalents, accounts receivable and other current assets. The Group does not have significant credit risk with respect to customers. All cash and cash equivalents are placed with major Israeli financial institutions.

Loan receivable credit risk is managed by each loan separately according to the Group's policy, procedures and control relating to the borrower's credit risk management. At the end of each period, the individual loan values are assessed based on a credit risk analysis. As of December 31, 2021, the Group had 2 loans outstanding (2020: nil loans) with a total balance of approximately $2.71 million.

The expected credit loss analysis is generally based on Management's understanding of the borrower's experience/integrity, financial health, business plans, capacity, products, customers, contracts, competitive advantages/disadvantages, and other pertinent factors when assessing credit risk. This would also include the assessment of the borrower's forecasts as well as taking into consideration any security and/or collateral the Company has on the outstanding balance.

As security on the loan receivable to Biome Grow Inc., the borrower holds approximately 744,000 Common Shares, on December 31, 2021. These shares cannot be sold without the proceeds from any sale being provided to the Company as repayment for the loan until the balance is fully discharged

As of December 31, 2021, the Company assessed the overall risk of the loan receivable balance and concluded that no expected credit loss under IFRS 9 was required.

Liquidity Risk

The Company's liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. As of December 31, 2021, the Group's financial liabilities with liquidity risk consist of trade payables and other accounts payable which have contractual maturity dates within one year, and lease liabilities. The Group manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Group's working capital position at December 31, 2021, management considers liquidity risk to be low.

Currency rate risk

As at December 31, 2021, a portion of the Group's financial assets and liabilities held in NIS, Euros, Canadian dollars and U.S. dollars consist of cash and cash equivalents. The Group's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties as applicable. The Group does not currently use foreign exchange contracts to hedge its exposure of its foreign currency cash flows, as management has determined that this risk is not significant at this point of time.

Tax Remittance

The Company is subject to the provisions of the ITA12 and to review by CRA13. The Company files its annual tax compliance based on its interpretation of the ITA and CRA's guidance. There is no certainty that the returns and tax position of the Company will be accepted by CRA as filed. Any difference between the Company's tax filings and CRA's final assessment could impact the Company's results and financial position.

As at December 31, 2021, the Company's financial statements included a tax liability of $9,060 and a tax indemnification asset of $8,835. The indemnification asset, intended to cover certain statutory tax obligations arising from the Trichome Transaction to the CRA, consists of: (1) 927,463 Common Shares; (2) The Company is a party to an indemnification agreement with certain directors and officers of the Company and Trichome to cover certain tax liabilities, interest and penalties arising from the Trichome Transaction; (3) a director of the Company has entered into a security pledge agreements with the Company to secure the obligations under the indemnification agreement. The director has pledged an aggregate of 833,508 Common Shares and 275,125 vested RSU's in favour of the Company.; (4) the director has transferred the Company cash in the amount of $3,250 (the "**Indemnification Asset**").

There can be no assurance that the Indemnification Asset will be sufficient to satisfy the requisite payments to the CRA. Additionally, there can be no assurance that the directors and officers whom are party to the indemnification agreement will make sufficient payments to the Company and/or CRA, or make the payments at all.

There can be no assurance that income tax laws or the interpretation thereof in any of the jurisdictions in which the Company operates will not be changed or interpreted or administered in a manner which adversely affects the Company and its shareholders. In addition, there is no assurance that CRA will agree with the manner in which the Company calculates taxes payable or that any of the other tax agencies will not change their administrative practices to the detriment of the Company or its shareholders.

CAUTION CONCERNING FORWARD-LOOKING INFORMATION

Certain statements in this MD&A may contain "forward-looking statements" or "forward-looking information," within the meaning of applicable Canadian securities legislation (collectively referred to herein as "forward-looking statements" or "forward-looking information"). All statements other than statements of fact may be deemed to be forward-looking statements, including statements with regard to expected financial performance, strategy and business conditions. The words "believe", "plan", "intend", "estimate", "expect", "anticipate", "continue", or "potential", and similar expressions, as well as future or conditional verbs such as "will", "should", "would", and "could" often identify forward-looking statements. These statements reflect management's current expectations and plans with respect to future events and are based on information currently available to management including based on reasonable assumptions, estimates, internal and external analysis and opinions of management considering its experience, perception of trends, current conditions and expected developments as well as other factors that management believes to be relevant as at the date such statements are made. No assurance can be given that the expectations in any forward looking statement will prove to be correct and, as such, the forward-looking statements included in this MD&A should not be unduly relied upon. Forward-looking information is by its nature prospective and requires IM Cannabis to make certain assumptions and is subject to inherent risks and uncertainties. All forward-looking information is provided as of the date of this MD&A. The Company does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required by law.

FORWARD LOOKING STATEMENTS

This MD&A and the documents incorporated by reference herein contain certain statements which contain "forward-looking information" within the meaning of Canadian securities legislation (each a "forward-looking statement"). All statements, other than statements of historical fact included in this MD&A, including information that address activities, events or developments that the Company expects or anticipates will or may occur in the future, are forward-looking statements. The use of any of the words "anticipates", "plans", "contemplates", "continues", "estimates", "expects", "intends", "proposes", "might", "may", "will", "shall", "projects", "should", "could", "would", "believe", "predict", "forecast", "pursue", "potential", "capable", "budget" and similar expressions are intended to identify forward-looking statements. Forward-looking statements in this MD&A may include, without limitation, forward-looking statements pertaining to:

- the Company's business objectives and milestones and the anticipated timing of execution;
- the performance of the Company's business, strategies and operations;
- the intention to expand the business, operations and potential activities of the Company;
- expectations relating to the number of patients in Israel licensed by the MOH to consume medical cannabis;
- expectations of Focus, TJAC and MYM on variations of net cost of sales based on the number of pre-harvest plants, after harvest plants, the strains being grown and technological progress in the trimming machines;
- the future impact of the Oranim Transaction, Panaxia Transaction, Pharm Yarok Transaction and the Vironna Transaction;
- The Company's proposed acquisition of the HW Shinua and the Panaxia Pharmacy Option and the future impact thereof;
- the future product portfolios of the Group and the Company's ability to export its products, strains and genetics from Canada to Israel and Germany;
- the competitive conditions of the cannabis industry and the growth of medical or recreational cannabis markets in the jurisdictions in which the Company operates;
- the growth of the Company's brands in the respective jurisdictions;
- the Company's retail presence, distribution capabilities and data-driven insights;
- the competitive conditions of the industry, including the Company's ability to maintain or grow its market share;
- cannabis licensing in Israel, Germany and Canada, including the anticipated decriminalization or legalization of recreational cannabis in Israel and Germany;
- expectations regarding the renewal and/or extension of the Group's licenses;
- the Group's anticipated operating cash requirements and future financing needs;
- the Group's expectations regarding its revenue, expenses, profit margins and operations;
- the anticipated gross margins, EBITDA and adjusted EBITDA from the Company's operations
- future opportunities for the Company in Canada, particularly in the premium and ultra-premium segments;
- future opportunities for the Company in Israel, particularly in the retail and distribution segments of the cannabis market; and
- contractual obligations and commitments.

With respect to the forward looking-statements contained in this MD&A, the Company has made assumptions regarding, among other things:

- the anticipated increase in demand for medical and recreational cannabis in the markets in which the Company operates;
- the Company's satisfaction of international demand for its products;
- the Company's ability to implement its growth strategies;
- the development and introduction of new products;
- the changes and trends in the cannabis industry;
- the Company's ability to maintain and renew required licenses;
- the Company's ability to rely on the export of, creation and maintenance of and maintain a consistent supply of imported cannabis from the Canadian Facilities;
- the effectiveness of its products for medical cannabis patients and recreational consumers;
- future cannabis pricing and input costs;
- cannabis production yields;
- the Company being able to continue to drive organic growth from Canadian operations; and
- the Company's ability to market its brands and services successfully to its anticipated customers.

Readers are cautioned that the above lists of forward-looking statements and assumptions are not exhaustive. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated or implied by such forward-looking statements due to a number of factors and risks. These include:

- general business risk and liability, including claims or complaints in the normal course of business;
- any failure of the Company to maintain "de facto" control over Focus in accordance with IFRS 10 *Consolidated Financial Statements* ("IFRS 10");
- regulatory authorities in Israel viewing the Company as the deemed owner of more than 5% of Focus in contravention of Israeli regulations;
- limitations on stockholdings of the Company in connection with its potential direct engagement in the Israeli medical cannabis market;
- the ability and/or need to obtain additional financing for continued operations;
- the lack of control over the Company's investees;
- the failure of the Company to comply with applicable regulatory requirements in a highly regulated industry;
- unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medial cannabis in Israel, Germany, Canada, Portugal, Greece, or any jurisdictions in which the Company intends to operate;
- the Company's ability to continue to meet the listing requirements of the CSE and the NASDAQ;
- the Israeli government deciding to abandon the decriminalization or legalization of recreational cannabis;
- any change in the political environment which would negatively affect the prospect of decriminalization or legalization of recreational cannabis in Israel;

- any unexpected failure of Focus to maintain in good standing or renew the Focus License;
- Focus' reliance on the Focus Facility to conduct medical cannabis activities in Israel;
- any unexpected failure of Focus to maintain the Focus Facility in good standing with all state and municipal Israeli regulations, including all required licenses and permits and under the Focus Leases;
- any adverse outcome of the Construction Proceedings;
- any unexpected failure of Adjupharm to maintain in good standing or renew any of its Adjupharm Licenses;
- any unexpected failure of TJAC to maintain in good standing or renew any of the TJAC Licenses or MYM Licenses;
- the reliance on the Canadian Facilities to conduct medical cannabis activities;
- any unexpected failure of TJAC and/or MYM to maintain their facilities in good standing with all applicable regulations, including all required licenses and permits and under the TJAC Leases and the Sublime Lease;
- the Group's ability to maintain ancillary business licenses, permits and approvals required to operate effectively;
- the ability of the Company, following the Trichome Transaction, the MYM Transaction, the Panaxia Transaction, the Pharm Yarok Transaction, the Oranim Transaction and the Vironna Transaction to integrate each entity into the Company's operations and realize the anticipated benefits and synergies of each such transaction and the timing thereof and the focus of management on such integration;
- any potential undisclosed liabilities of Trichome, MYM, Pharm Yarok, Rosen High Way, Oranim Pharm, and Vironna or other entities acquired by the Company that were unidentified during the due diligence process;
- the interpretation of Company's acquisitions of companies or assets by tax authorities or regulatory bodies, including but not limited to the change of control of licensed entities;
- the ability of the Group to deliver on their sales commitments or growth objectives;
- the Group's reliance on third-party supply agreements and its ability to enter into additional supply agreements to provide sufficient quantities of medical cannabis to fulfil the Group's obligations;
- the Group's possible exposure to liability, the perceived level of risk related thereto, and the anticipated results of any litigation or other similar disputes or legal proceedings involving the Group, including but not limited to the Construction Proceedings, the MOH Allegations and the class action proceedings described herein;
- the impact of increasing competition;
- any lack of merger and acquisition opportunities;
- inconsistent public opinion and perception regarding the use of cannabis;
- engaging in activities considered illegal under US federal law related to cannabis;
- political instability and conflict in the Middle East, Eastern Europe and Ukraine;
- adverse market conditions;
- unexpected disruptions to the operations and businesses of the Group as a result of the COVID-19 global pandemic or other disease outbreaks including a resurgence in the cases of COVID-19;
- the inherent uncertainty of production quantities, qualities and cost estimates and the potential for unexpected costs and expenses;

- the Group's ability to sell its products
- currency fluctuations;
- any change in accounting practices or treatment affecting the consolidation of financial results;
- the costs of inputs;
- reliance on management; and
- the loss of key management and/or employees.

Readers are cautioned that the foregoing list of risk factors is not exhaustive. Additional information on these and other factors that could affect the business, operations or financial results of the Company are detailed under the headings "Risks Factors" and "Contingent Liabilities and Commitments" of this MD&A. The Company and management caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. The Company and management assume no obligation to update or revise them to reflect new events or circumstances except as required by applicable securities laws.

Additional information about the assumptions, risks and uncertainties of the Company's business and material factors or assumptions on which information contained in forward-looking information is based is provided in the Company's disclosure materials, including in this MD&A under "*Legal and Regulatory – Risk Factors*" and the Company's current annual information form under "*Risk Factors*", filed with the securities regulatory authorities in Canada and which can be viewed online under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

All forward-looking information in this MD&A is qualified by these cautionary statements.

FINANCIAL OUTLOOK

The forward-looking information in this MD&A contain statements in respect of estimated revenues. The Company and its management believe that the estimated revenues are reasonable as of the date hereof and are based on management's current views, strategies, expectations, assumptions and forecasts, and have been calculated using accounting policies that are generally consistent with the Company's current accounting policies. These estimates are considered financial outlooks under applicable securities legislation. These estimates and any other financial outlooks or future-oriented financial information included herein have been approved by management of the Company as of the date hereof. Such financial outlooks or future-oriented financial information are provided for the purposes of presenting information about management's current expectations and goals relating to the sales agreements described in the "Corporate Highlights and Events" section of this MD&A and other previously announced Focus sales agreements and the future business of the Company. The Company disclaims any intention or obligation to update or revise any future-oriented financial information, whether as a result of new information, future events or otherwise, except as required by securities legislation. Readers are cautioned that actual results may vary materially as a result of a number of risks, uncertainties, and other factors, many of which are beyond the Group's control. See the risks and uncertainties discussed in the "Risk Factors" section and elsewhere in this MD&A and other risks detailed from time to time in the publicly filed disclosure documents of the Company.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

Exhibit 99.4

CERTIFICATION

I, Oren Shuster, certify that:

1. I have reviewed this annual report on Form 40-F of IM Cannabis Corp.;

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 issuer as of, and for, the periods presented in this report;

4. The issuer'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 issuer 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 issuer, 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 issuer'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 issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer'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 issuer'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 issuer's internal control over financial reporting.

Date: March 31, 2022

By: /s/ Oren Shuster
Oren Shuster
Chief Executive Officer
(Principal Executive Officer)

Exhibit 99.5

CERTIFICATION

I, Shai Shemesh, certify that:

1. I have reviewed this annual report on Form 40-F of IM Cannabis Corp.;

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 issuer as of, and for, the periods presented in this report;

4. The issuer'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 issuer 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 issuer, 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 issuer'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 issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer'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 issuer'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 issuer's internal control over financial reporting.

Date: March 31, 2022

By: /s/ Shai Shemesh
Shai Shemesh
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 99.6

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

In connection with the Annual Report of IM Cannabis Corp. (the "Company") on Form 40-F for the period ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Oren Shuster, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2022

BY: /s/ Oren Shuster
Oren Shuster
Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to IM Cannabis Corp. and will be retained by IM Cannabis Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 99.7

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

In connection with the Annual Report of IM Cannabis Corp. (the "Company") on Form 40-F for the period ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Shai Shemesh, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 31, 2022

/s/ Shai Shemesh
Shai Shemesh
Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to IM Cannabis Corp. and will be retained by IM Cannabis Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 99.8

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form F-10 No. 333-254255) of IM Cannabis Corp. and in the related Prospectus of our report dated March 31, 2022, with respect to the consolidated financial statements of IM Cannabis Corp. included in this Annual Report (Form 40-F) for the year ended December 31, 2021.

/s/ KOST FORER GABBAY & KASIERER
KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Tel-Aviv, Israel
March 31, 2022