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

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**FORM 40-F**

[X] Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934  
or  
[ ] Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended \_\_\_\_\_

Commission File Number \_\_\_\_\_

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**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)

**Not Applicable**  
(I.R.S. Employer  
Identification Number)

**Suite 2300, 550 Burrard Street  
Vancouver, British Columbia, Canada V6C 2B5  
(416) 256-4202**

(Address and telephone number of Registrant's principal executive offices)

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**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

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Securities registered pursuant to Section 12(g) of the Act: None.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

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

☐ Annual information form

☐ Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: N/A

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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 its 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.

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#### EXPLANATORY NOTE

IM Cannabis Corp. (the "Company" or the "Registrant") is a Canadian issuer eligible to file its registration statement pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), on Form 40-F pursuant to the multi-jurisdictional disclosure system of the Exchange Act. The Company is a "foreign private issuer" as defined in Rule 3b-4 under the Exchange Act. 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.

#### FORWARD LOOKING STATEMENTS

The Exhibits incorporated by reference into this Registration Statement of the Registrant may contain "forward-looking information" or "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 beliefs with respect to future events and are based on information available to management as of the respective dates set forth in the Exhibits incorporated by reference into this Registration Statement, 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 believed to be relevant as at the date such statements were made. These statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated or implied in such forward-looking statements, including, without limitation, those described in the Registrant's Annual Information Form for the year ended December 31, 2019, attached hereto as Exhibit 99.79.

The Registrant and management caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. Although the Registrant believes that the expectations reflected in the forward-looking statements were reasonable as of the time such forward-looking statements were made, it can give no assurance that such expectations will prove to have been correct. The Registrant and management assume no obligation to update or revise them to reflect new events or circumstances except as required by applicable securities laws.

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## **DIFFERENCES IN UNITED STATES AND CANADIAN REPORTING PRACTICES**

The Registrant is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare this report in accordance with Canadian disclosure requirements, which are different from those of the United States. The Registrant prepares its consolidated financial statements, which are filed with this report on Form 40-F in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and the audit is subject to Canadian auditing and auditor independence standards.

## **PRINCIPAL DOCUMENTS**

In accordance with General Instruction B.(1) of Form 40-F, the Registrant hereby incorporates by reference Exhibits 99.1 through 99.104 inclusive, as set forth in the Exhibit Index attached hereto.

In accordance with General Instruction D.(9) of Form 40-F, the Registrant has filed the written consent of certain experts named in the foregoing Exhibits as Exhibit 99.105, as set forth in the Exhibit Index attached hereto.

## **TAX MATTERS**

Purchasing, holding, or disposing of securities of the Registrant may have tax consequences under the laws of the United States and Canada that are not described in this Registration Statement on Form 40-F.

## **DESCRIPTION OF COMMON SHARES**

The required disclosure is included under the heading “Description of Capital Structure” in the Registrant’s Annual Information Form for the year ended December 31, 2019, attached hereto as Exhibit 99.79.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Registrant has no off-balance sheet arrangements.

## **CURRENCY**

Unless otherwise indicated, all dollar amounts in this Registration Statement on Form 40-F are in United States dollars. The exchange rate of Canadian dollars into United States dollars, on December 31, 2019, based upon the daily exchange rate as quoted by the Bank of Canada was U.S.\$1.00 = Cdn.\$1.2988.

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## CONTRACTUAL OBLIGATIONS

The following table lists, as of December 31, 2019, information with respect to the Registrant's known contractual obligations:

Contractual Obligations	Payments due by period				
	Total (\$)	Less than 1 year (\$)	1-3 years (\$)	3-5 years (\$)	More than 5 years (\$)
Operating Lease Obligations (Undiscounted)	1,073	176	265	171	461
Purchase Obligations <sup>(1)</sup>	764	764	-	-	-
<b>Total<sup>(2)(3)</sup></b>	<b>\$ 1,837</b>	<b>940</b>	<b>265</b>	<b>171</b>	<b>461</b>

<sup>(1)</sup> Purchase commitments are obligations under purchase agreements or purchase orders not yet fulfilled that are non-cancelable.

<sup>(2)</sup> The obligation amount does not include an amount of \$202 of employee benefit liability, net. See also Note 13 to the Consolidated Financial Statements as of December 31, 2019.

<sup>(3)</sup> The obligation amount does not include an amount of \$152 of non-current warrants liability as of December 31, 2019, which settlement is in the company's common stock.

## UNDERTAKING

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to the securities registered pursuant to Form 40-F or transactions in said securities.

## CONSENT TO SERVICE OF PROCESS

The Registrant has concurrently filed a Form F-X in connection with the class of securities to which this Registration Statement relates.

Any change to the name or address of the Registrant's agent for service shall be communicated promptly to the Commission by amendment to the Form F-X referencing the file number of the Registrant.

## 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 Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized.

**IM Cannabis Corp.**

By: /s/ Oren Shuster

Name: Oren Shuster

Title: Chief Executive Officer and Director

Date: February 12, 2021

## EXHIBIT INDEX

The following documents are being filed with the Commission as Exhibits to this Registration Statement:

<b>Exhibit</b>	<b>Description</b>
<a href="#"><u>99.1</u></a>	<a href="#"><u>Management's Discussion and Analysis of IM Cannabis Corp. for the year and three months ended December 31, 2019</u></a>
<a href="#"><u>99.2</u></a>	<a href="#"><u>Audited Financial Statements of IM Cannabis Corp. for the year ended December 31, 2019</u></a>
<a href="#"><u>99.3</u></a>	<a href="#"><u>News Release dated January 6, 2020</u></a>
<a href="#"><u>99.4</u></a>	<a href="#"><u>News Release dated January 7, 2020</u></a>
<a href="#"><u>99.5</u></a>	<a href="#"><u>Notice of Annual General Meeting of Shareholders dated January 10, 2020</u></a>
<a href="#"><u>99.6</u></a>	<a href="#"><u>News Release dated January 28, 2020</u></a>
<a href="#"><u>99.7</u></a>	<a href="#"><u>Notice of Change of Auditor dated January 19, 2020</u></a>
<a href="#"><u>99.8</u></a>	<a href="#"><u>Letter from Successor Auditor dated January 22, 2020</u></a>
<a href="#"><u>99.9</u></a>	<a href="#"><u>Letter from Former Auditor dated January 20, 2020</u></a>
<a href="#"><u>99.10</u></a>	<a href="#"><u>News Release dated January 30, 2020</u></a>
<a href="#"><u>99.11</u></a>	<a href="#"><u>Form of Proxy of IM Cannabis Corp.</u></a>
<a href="#"><u>99.12</u></a>	<a href="#"><u>Notice of Annual General Meeting of Shareholders dated February 18, 2020</u></a>
<a href="#"><u>99.13</u></a>	<a href="#"><u>Management Information Circular dated February 18, 2020</u></a>
<a href="#"><u>99.14</u></a>	<a href="#"><u>News Release dated March 17, 2020</u></a>
<a href="#"><u>99.15</u></a>	<a href="#"><u>News Release dated March 23, 2020</u></a>
<a href="#"><u>99.16</u></a>	<a href="#"><u>News Release dated March 30, 2020</u></a>
<a href="#"><u>99.17</u></a>	<a href="#"><u>News Release dated March 31, 2020</u></a>
<a href="#"><u>99.18</u></a>	<a href="#"><u>News Release dated April 2, 2020</u></a>
<a href="#"><u>99.19</u></a>	<a href="#"><u>News Release dated April 8, 2020</u></a>
<a href="#"><u>99.20</u></a>	<a href="#"><u>News Release dated April 13, 2020</u></a>
<a href="#"><u>99.21</u></a>	<a href="#"><u>News Release dated April 16, 2020</u></a>
<a href="#"><u>99.22</u></a>	<a href="#"><u>News Release dated April 20, 2020</u></a>
<a href="#"><u>99.23</u></a>	<a href="#"><u>News Release dated April 21, 2020</u></a>
<a href="#"><u>99.24</u></a>	<a href="#"><u>Certification of Annual Filings Following an Initial Public Offering, Reverse Takeover or Becoming a Non-Venture Issuer in connection with the filing of the AIF, annual financial statements and annual MD&amp;A by CEO dated April 21, 2020</u></a>
<a href="#"><u>99.25</u></a>	<a href="#"><u>Certification of Annual Filings Following an Initial Public Offering, Reverse Takeover or Becoming a Non-Venture Issuer in connection with the filing of the AIF, annual financial statements and annual MD&amp;A by CFO dated April 21, 2020</u></a>
<a href="#"><u>99.26</u></a>	<a href="#"><u>News Release dated April 27, 2020</u></a>
<a href="#"><u>99.27</u></a>	<a href="#"><u>News Release dated May 7, 2020</u></a>
<a href="#"><u>99.28</u></a>	<a href="#"><u>News Release dated May 12, 2020</u></a>
<a href="#"><u>99.29</u></a>	<a href="#"><u>News Release dated May 14, 2020</u></a>
<a href="#"><u>99.30</u></a>	<a href="#"><u>News Release dated May 19, 2020</u></a>

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<a href="#"><u>99.31</u></a>	<a href="#"><u>News Release dated May 26, 2020</u></a>
<a href="#"><u>99.32</u></a>	<a href="#"><u>News Release dated May 27, 2020</u></a>
<a href="#"><u>99.33</u></a>	<a href="#"><u>News Release dated June 4, 2020</u></a>
<a href="#"><u>99.34</u></a>	<a href="#"><u>News Release dated June 5, 2020</u></a>
<a href="#"><u>99.35</u></a>	<a href="#"><u>Unaudited Interim Condensed Consolidated Financial Statements of IM Cannabis Corp. for the three-month period ended March 31, 2020</u></a>
<a href="#"><u>99.36</u></a>	<a href="#"><u>Certification of Interim Filings Venture Issuer Basic Certificate of IM Cannabis Corp. in connection with the filing of the interim financial report and interim MD&amp;A by CFO dated June 5, 2020</u></a>
<a href="#"><u>99.37</u></a>	<a href="#"><u>Certification of Interim Filings Venture Issuer Basic Certificate of IM Cannabis Corp. in connection with the filing of the interim financial report and interim MD&amp;A by CEO dated June 5, 2020</u></a>
<a href="#"><u>99.38</u></a>	<a href="#"><u>Management's Discussion and Analysis of IM Cannabis Corp. for the three-month period ended March 31, 2020</u></a>
<a href="#"><u>99.39</u></a>	<a href="#"><u>News Release dated June 10, 2020</u></a>
<a href="#"><u>99.40</u></a>	<a href="#"><u>News Release dated June 15, 2020</u></a>
<a href="#"><u>99.41</u></a>	<a href="#"><u>News Release dated June 18, 2020</u></a>
<a href="#"><u>99.42</u></a>	<a href="#"><u>News Release dated June 22, 2020</u></a>
<a href="#"><u>99.43</u></a>	<a href="#"><u>News Release dated June 24, 2020</u></a>
<a href="#"><u>99.44</u></a>	<a href="#"><u>News Release dated June 30, 2020</u></a>
<a href="#"><u>99.45</u></a>	<a href="#"><u>News Release dated July 6, 2020</u></a>
<a href="#"><u>99.46</u></a>	<a href="#"><u>News Release dated July 15, 2020</u></a>
<a href="#"><u>99.47</u></a>	<a href="#"><u>News Release dated July 21, 2020</u></a>
<a href="#"><u>99.48</u></a>	<a href="#"><u>News Release dated July 27, 2020</u></a>
<a href="#"><u>99.49</u></a>	<a href="#"><u>Certification of Interim Filings Venture Issuer Basic Certificate of IM Cannabis Corp. in connection with the filing of the interim financial report and interim MD&amp;A by CEO dated August 26, 2020</u></a>
<a href="#"><u>99.50</u></a>	<a href="#"><u>Management's Discussion and Analysis of IM Cannabis Corp. for the three and six-month period ended June 30, 2020</u></a>
<a href="#"><u>99.51</u></a>	<a href="#"><u>Unaudited Interim Condensed Consolidated Financial Statements of IM Cannabis Corp. for the three and six-month periods ended June 30, 2020</u></a>
<a href="#"><u>99.52</u></a>	<a href="#"><u>Certification of Interim Filings Venture Issuer Basic Certificate of IM Cannabis Corp. in connection with the filing of the interim financial report and interim MD&amp;A by CFO dated August 26, 2020</u></a>
<a href="#"><u>99.53</u></a>	<a href="#"><u>News Release dated August 26, 2020</u></a>
<a href="#"><u>99.54</u></a>	<a href="#"><u>News Release dated September 15, 2020</u></a>
<a href="#"><u>99.55</u></a>	<a href="#"><u>News Release dated September 23, 2020</u></a>
<a href="#"><u>99.56</u></a>	<a href="#"><u>Notice of Special Meeting of Shareholders dated October 2, 2020</u></a>
<a href="#"><u>99.57</u></a>	<a href="#"><u>News Release dated October 6, 2020</u></a>
<a href="#"><u>99.58</u></a>	<a href="#"><u>News Release dated October 7, 2020</u></a>
<a href="#"><u>99.59</u></a>	<a href="#"><u>News Release dated October 8, 2020</u></a>
<a href="#"><u>99.60</u></a>	<a href="#"><u>News Release dated November 16, 2020</u></a>

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<a href="#"><u>99.61</u></a>	<a href="#"><u>Form of Proxy of IM Cannabis Corp. for Special Meeting to be held on December 16, 2020</u></a>
<a href="#"><u>99.62</u></a>	<a href="#"><u>Notice of Special Meeting of Shareholders dated December 16, 2020</u></a>
<a href="#"><u>99.63</u></a>	<a href="#"><u>Financial Statements Request Form</u></a>
<a href="#"><u>99.64</u></a>	<a href="#"><u>Notice of Special Meeting of Shareholders and Management Information Circular dated November 12, 2020</u></a>
<a href="#"><u>99.65</u></a>	<a href="#"><u>Certification of Interim Filings Venture Issuer Basic Certificate of IM Cannabis Corp. in connection with the filing of the interim financial report and interim MD&amp;A by CFO dated November 27, 2020</u></a>
<a href="#"><u>99.66</u></a>	<a href="#"><u>Certification of Interim Filings Venture Issuer Basic Certificate of IM Cannabis Corp. in connection with the filing of the interim financial report and interim MD&amp;A by CEO dated November 27, 2020</u></a>
<a href="#"><u>99.67</u></a>	<a href="#"><u>Management's Discussion and Analysis of IM Cannabis Corp. for the three and nine-month period ended September 30, 2020</u></a>
<a href="#"><u>99.68</u></a>	<a href="#"><u>Unaudited Interim Condensed Consolidated Financial Statements of IM Cannabis Corp. for the three and nine-month periods ended September 30, 2020</u></a>
<a href="#"><u>99.69</u></a>	<a href="#"><u>News Release dated November 27, 2020</u></a>
<a href="#"><u>99.70</u></a>	<a href="#"><u>Code of Conduct</u></a>
<a href="#"><u>99.71</u></a>	<a href="#"><u>News Release dated December 17, 2020</u></a>
<a href="#"><u>99.72</u></a>	<a href="#"><u>News Release dated December 30, 2020</u></a>
<a href="#"><u>99.73</u></a>	<a href="#"><u>Arrangement Agreement dated December 30, 2020</u></a>
<a href="#"><u>99.74</u></a>	<a href="#"><u>Material Change Report dated January 8, 2021</u></a>
<a href="#"><u>99.75</u></a>	<a href="#"><u>Form 45-102F1 dated January 11, 2021</u></a>
<a href="#"><u>99.76</u></a>	<a href="#"><u>News Release dated January 12, 2021</u></a>
<a href="#"><u>99.77</u></a>	<a href="#"><u>Amending Agreement dated January 22, 2021</u></a>
<a href="#"><u>99.78</u></a>	<a href="#"><u>News Release dated January 26, 2021</u></a>
<a href="#"><u>99.79</u></a>	<a href="#"><u>Annual Information Form dated January 27, 2021</u></a>
<a href="#"><u>99.80</u></a>	<a href="#"><u>Certification of Annual Filings of IM Cannabis Corp. in connection with the filing of the voluntarily filed AIF by the CFO dated January 29, 2021</u></a>
<a href="#"><u>99.81</u></a>	<a href="#"><u>Certification of Annual Filings of IM Cannabis Corp. in connection with the filing of the voluntarily filed AIF by the CEO dated January 29, 2021</u></a>
<a href="#"><u>99.82</u></a>	<a href="#"><u>Notice Declaring Intention to be Qualified under National Instrument 44-101 Short Form Prospectus Distributions dated January 29, 2021</u></a>
<a href="#"><u>99.83</u></a>	<a href="#"><u>News Release dated February 10, 2021</u></a>
<a href="#"><u>99.84</u></a>	<a href="#"><u>Form 7 Monthly Progress Report dated January 8, 2020</u></a>
<a href="#"><u>99.85</u></a>	<a href="#"><u>Form 7 Monthly Progress Report dated February 7, 2020</u></a>
<a href="#"><u>99.86</u></a>	<a href="#"><u>Form 10 Notice of Proposed Transaction dated February 24, 2020</u></a>
<a href="#"><u>99.87</u></a>	<a href="#"><u>Form 7 Monthly Progress Report dated March 6, 2020</u></a>
<a href="#"><u>99.88</u></a>	<a href="#"><u>Form 7 Monthly Progress Report dated April 7, 2020</u></a>
<a href="#"><u>99.89</u></a>	<a href="#"><u>Form 7 Monthly Progress Report dated May 6, 2020</u></a>
<a href="#"><u>99.90</u></a>	<a href="#"><u>Form 7 Monthly Progress Report dated June 5, 2020</u></a>
<a href="#"><u>99.91</u></a>	<a href="#"><u>Form 5 Quarterly Listing Statement dated June 5, 2020</u></a>
<a href="#"><u>99.92</u></a>	<a href="#"><u>Form 11 Notice of Proposed Stock Option Grant dated June 11, 2020</u></a>
<a href="#"><u>99.93</u></a>	<a href="#"><u>Form 7 Monthly Progress Report dated July 8, 2020</u></a>
<a href="#"><u>99.94</u></a>	<a href="#"><u>Form 11 Notice of Proposed Stock Option Grant or Amendment dated August 4, 2020</u></a>
<a href="#"><u>99.95</u></a>	<a href="#"><u>Form 7 Monthly Progress Report dated August 10, 2020</u></a>
<a href="#"><u>99.96</u></a>	<a href="#"><u>Form 5 Quarterly Listing Statement dated September 8, 2020</u></a>
<a href="#"><u>99.97</u></a>	<a href="#"><u>Form 7 Monthly Progress Report dated September 8, 2020</u></a>
<a href="#"><u>99.98</u></a>	<a href="#"><u>Form 7 Monthly Progress Report dated October 6, 2020</u></a>
<a href="#"><u>99.99</u></a>	<a href="#"><u>Form 7 Monthly Progress Report dated December 7, 2020</u></a>
<a href="#"><u>99.100</u></a>	<a href="#"><u>Form 5 Quarterly Listing Statement dated December 7, 2020</u></a>
<a href="#"><u>99.101</u></a>	<a href="#"><u>Form 11 Notice of Proposed Stock Option Grant or Amendment dated December 17, 2020</u></a>
<a href="#"><u>99.102</u></a>	<a href="#"><u>Form 7 Monthly Progress Report dated January 8, 2021</u></a>
<a href="#"><u>99.103</u></a>	<a href="#"><u>Form 9 Notice of Issuance of Proposed Issuance of Listed Securities dated January 11, 2021</u></a>
<a href="#"><u>99.104</u></a>	<a href="#"><u>Form 7 Monthly Progress Report dated February 5, 2021</u></a>
<a href="#"><u>99.105</u></a>	<a href="#"><u>Consent of Kost Forer Gabbay &amp; Kasierer</u></a>



**IM Cannabis Corp.**

**Management's Discussion and Analysis**

**For the Year and Three Months Ended December 31, 2019**

**April 20 , 2020**

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**Management's Discussion and Analysis**

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**IM Cannabis Corp.****Management's Discussion and Analysis****For the Year and Three Months Ended December 31, 2019 and 2018**

This Management's Discussion and Analysis ("MD&A") reports on the consolidated financial condition and operating results of IM Cannabis Corp. (the "Company" or "IMCC") for the year and three months ended December 31, 2019 and 2018. Throughout this MD&A, unless otherwise specified, "IMCC", "the Company", "we", "us" or "our" refer to IM Cannabis Corp. The Company was established in connection with the November 6, 2018 definitive business combination agreement, between Navasota Resources Inc. ("Navasota") and IMC Holdings Ltd. ("IMC") which constituted a Reverse Takeover Transaction (as defined herein) of Navasota by the shareholders of IMC.

This MD&A should be read in conjunction with the audited financial statements of the Company and notes thereto for the year ended December 31, 2019 (the "Annual Financial Statements").

The Annual Financial Statements have been prepared by management in accordance with the International Financial Reporting Standards ("IFRS"). IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amount of assets and liabilities at the date of the 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.

IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amount of assets and liabilities at the date of the 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 consolidated financial statements include the accounts of the Company, Focus Medical Herbs Ltd. ("Focus") and its subsidiaries: IMC, I.M.C. - International Medical Cannabis Portugal, Unipessoal, Lda., IMC Ventures Ltd., and Adjupharm GmbH ("Adjupharm"). All intercompany balances and transactions were eliminated on consolidation.

All amounts in the MD&A are expressed in Canadian Dollars (\$) in thousands, unless otherwise noted.

**CAUTION CONCERNING FORWARD-LOOKING STATEMENTS**

Certain statements in this MD&A may contain "forward-looking information," within the meaning of applicable securities laws (collectively referred to herein as "forward-looking statements"). Such statements include, but are not limited to, statements with respect to expectations, projections, or other characterizations of future events or circumstances, and our objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to our plans and objectives, or estimates or predictions of actions of customers, suppliers, competitors or regulatory authorities. These statements are subject to certain risks, assumptions and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words "believe", "plan", "intend", "estimate", "expect", or "anticipate", and similar expressions, as well as future or conditional verbs such as "will", "should", "would", and "could" often identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance.

## Management's Discussion and Analysis

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With respect to forward looking statements contained in this MD&A, the Company has made assumptions and applied certain factors regarding, among other things: future cannabis pricing; cannabis production yields; costs of inputs; its ability to market the IMCC brand and its services successfully to its anticipated clients; reliance on management; the ability of the Company to comply with applicable regulatory requirements in a highly regulated industry; failure of Focus to renew its cultivation license with the Israeli Ministry of Health; regulatory authorities in Israel viewing the Company as the deemed owner of more than 5% of Focus in contravention of Israeli rules; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel, Germany, Portugal, Greece or any foreign jurisdictions in which the Company intends to operate; the application of federal and provincial environmental laws; the impact of increasing competition; inconsistent public opinion and perception regarding the use of cannabis; engaging in activities considered illegal under US federal law; political instability and conflict in the Middle East; adverse market conditions; unexpected business disruptions due to COVID-19 and other disease outbreaks; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; currency fluctuations; and loss of key management and/or employees.

These forward-looking statements are also subject to the risks and uncertainties discussed in the "Risks 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 which are available at [www.sedar.com](http://www.sedar.com). Forward-looking statements are not guaranteeing of future performance and involve risks, uncertainties, and assumptions which could cause actual results to differ materially from the conclusions, forecasts, or projections anticipated in these forward-looking statements. Because of these risks, uncertainties, and assumptions, the reader should not place undue reliance on these forward-looking statements. The Company's forward-looking statements are made only as of the date of this MD&A, and except as required by applicable law, IMCC undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances.

## 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 laws. 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 "Subsequent 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 laws. 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 Company's control. See the risks and uncertainties discussed in the "Risks 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 which are available at [www.sedar.com](http://www.sedar.com).

**Management's Discussion and Analysis**

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**NON-IFRS FINANCIAL MEASURES**

Certain financial measures used in this MD&A do not have any standardized meaning under IFRS, including "EBITDA" and "Adjusted EBITDA". 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.

**Management's Discussion and Analysis**

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**OVERVIEW OF THE COMPANY****Company Background**

The Company was established in connection with the November 6, 2018, definitive business combination agreement, between Navasota and IMC which constituted a Reverse Takeover Transaction (as defined herein) of Navasota by the shareholders of IMC.

IMC is a wholly-owned subsidiary of the Company, an international medical cannabis company. Internationally, the Company has established a vertically integrated medical cannabis business in Germany. Subject to obtaining applicable governmental and regulatory approvals, the Company has expansion plans for additional European markets including, but not limited to, Greece and Portugal. The Company's core Israeli business includes offering branding and intellectual property-related services to the Israeli medical cannabis market. The Company's major Israeli assets include the Option Agreements to purchase the Licensed Entities from the Principals and the Commercial Agreements (capitalized terms as defined herein) as well as holdings in an innovation-focused company, while its international assets include material holdings in a fully licensed medical cannabis distribution company in Germany, a 25% interest in a cultivation joint venture in Greece and a subsidiary in Portugal.

The Company operates in the field of medical cannabis by providing intellectual property and services to licensed producers. Focus, a licensed medical cannabis producer in Israel with whom the Company has exclusive commercial agreements, is the first major Israeli licensed producer to utilize the Company's intellectual property and know-how.

Neither the Company nor any of its subsidiaries currently hold, directly or indirectly, any licenses to engage in the cultivation, production, processing, distribution or sale of medical cannabis in Israel. However, under IFRS 10, the Company is required to consolidate the results of Focus, a licensed propagator and cultivator of medical cannabis under the current Israeli regulatory regime. As such, all financial information in this MD&A is presented on a consolidated basis reflecting the results of the Company, its subsidiaries and Focus (the "Group"). Focus operates under the regulations of medical cannabis by the Israeli Ministry of Health (the "MOH") through the Israel Medical Cannabis Agency (the "IMCA") to breed, grow, and supply medical cannabis products in Israel. All of Focus' operations are performed pursuant to the Israeli DANGEROUS DRUGS ORDINANCE [NEW VERSION], 5733 - 1973 (the "Dangerous Drugs Ordinance") and the related regulations issued by IMCA.

The revenues of the Group, were generated from sales of medical cannabis products to customers in Israel. IMCC and its subsidiaries do not engage in any U.S. cannabis-related activities as defined in Canadian Securities Administrators Staff Notice 51-352.

On March 15, 2019, IMC acquired Adjupharm, a company incorporated in Germany. Adjupharm is a licensed EU-GMP producer with wholesale, narcotics handling and import/export licenses for medical cannabis.

## Management's Discussion and Analysis

IMCC is a participant in the Israeli medical cannabis market, which as of the day of this report, is a market that is estimated to be worth approximately \$100 million and having more than 60,000 users under the MOH's new regulation. As of December 31, 2019, products bearing IMCC's brand are reaching more than 400 pharmacies who serve patients with monthly IMCC's prescriptions.

### Company Products

IMCC is a well-known, recognized medical cannabis brand in Israel that is responsible for successfully bringing to market popular cannabis strains such as Roma, DQ, London, Tel-Aviv, Elle and Pandora's Box. The Company believes that the IMCC brand in Israel has become synonymous with quality, purity and consistency.

Focus is currently offering two main types of products carrying IMCC's brand: dried cannabis and cannabis oil. All of the products are tested in certified labs according to the MOH standards and certified before being packaged and labelled with detailed information about the levels of tetrahydrocannabinol ("THC") and cannabidiol ("CBD") within each product.

There are currently several dried medical cannabis products and medical cannabis oil products bearing IMCC's brand:

DRIED MEDICAL CANNABIS PRODUCTS BEARING IMCC'S BRAND (DISTRIBUTED BY FOCUS)			
Strain	THC/CBD Content	Category	Usage
Dairy Queen	THC: 11-19% CBD: 0-5.5%	T15/C3	In Israel, Dairy Queen has been prescribed for relief from pain, stress and anxiety, ALS, MS, Crohn's disease.
Pandora's Box	THC: 11-19% CBD: 0-5.5%	T15/C3	In Israel, Pandora's Box has been prescribed for relief from pain, stress and anxiety, as well as to treat depression, migraines and nausea.
Roma	THC: 16-24% CBD: 0-7%	T20/C4	In Israel, Roma has been prescribed for relief from chronic pain and migraines; treatment of insomnia, eating disorders and anxiety.
London	THC: 11-19% CBD: 0-5.5%	T15/C3	In Israel, London has been prescribed for relief from chronic pain and migraines, as well as to treat insomnia, eating disorders, anxiety and PTSD.
Tel Aviv	THC: 16-24% CBD: 0-7%	T20/C4	In Israel, Tel Aviv has been prescribed for relief from chronic pain and migraines, as well as to treat eating disorders and anxiety.
Paris	THC: 6-14% CBD: 6-14%	T10/C10	In Israel, Paris has been prescribed for relief from the side effects of chemotherapy and radiation treatments of cancer patients.

## Management's Discussion and Analysis

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### Corporate Developments

#### (i) Corporate Restructuring and Canadian Liquidity Events

In mid-2018, IMC entered into a binding letter agreement with Navasota and Navasota Acquisition Ltd. ("Navasota Subco") pursuant to which IMC would complete a reverse takeover transaction by way of a three-cornered amalgamation with Navasota and Navasota Subco to expand its business and access Canadian capital markets (the "Reverse Takeover Transaction"). IMC, Navasota and Navasota Subco entered into a definitive business combination agreement on September 3, 2019, which superseded a previous agreement between IMC, Navasota and Navasota Subco dated November 6, 2018.

On August 29, 2019, Navasota and IMC announced the completion of a private placement offering of 19,460,527 subscription receipts (each a "Subscription Receipt") of a wholly-owned subsidiary of Navasota ("Finco") at a price of \$1.05 per Subscription Receipt (after giving effect to a contemplated share split of 1:10) for aggregate gross proceeds of \$20,433 (the "Financing"). Upon the satisfaction or waiver of, among other things, all of the condition precedents to the completion of the Reverse Takeover Transaction, each Subscription Receipt was exchanged for one unit of Finco (a "Finco Unit") with each Finco Unit being comprised of one (1) common share of Finco (a "Finco Share") and one-half (1/2) of one (1) common share purchase warrant of Finco (a "Finco Warrant"). Each whole Finco Warrant was exercisable for one Finco Share at an exercise price of \$1.30 (after giving effect to a contemplated share split of 1:10) for a period of 24 months following the closing of the Reverse Takeover Transaction. Upon closing of the Reverse Takeover Transaction, the Finco Shares and Finco Warrants were exchanged for IMCC shares and IMCC warrants on economically equivalent terms on a 1:1 basis.

In connection with the Reverse Takeover Transaction, on October 4, 2019, Navasota completed a consolidation of its common shares on 2.83:1 basis and changed its name to "IM Cannabis Corp.". On October 11, 2019, the Reverse Takeover Transaction was completed, which included the merger of IMC and Navasota Subco under Israeli laws and the resulting amalgamated entity becoming a wholly-owned subsidiary of IMCC. Upon the completion of the Reverse Takeover Transaction, the former holders of IMC ordinary shares held approximately 84.52% of the issued and outstanding IMCC shares, the previous holders of Subscription Receipts held approximately 13.11% of the IMCC shares and the previous holders of Navasota shares held 2.38% of the IMCC shares, in each case, on a non-diluted basis.

On November 5, 2019, the IMCC shares began trading on the Canadian Securities Exchange ("CSE") under the ticker symbol "IMCC".

#### (ii) Restructuring

Prior to completing the Reverse Takeover Transaction and listing on the CSE, IMC facilitated a restructuring of its Israel-based assets (the "IMC Restructuring"), to meet certain compliance requirements set by the MOH.

Under the terms of the IMC Restructuring, IMC divested its interests in Focus, IMC Pharma Ltd. ("IMC Pharma") and I.M.C.C. Ltd. ("IMCCL", and together with Focus and IMC Pharma, the "Licensed Entities") to Oren Shuster, the sole director and CEO of IMC and the CEO and a director of IMCC, and to Rafael Gabay, a director of IMCC (the "Principals"), both of whom are related parties to IMCC. In connection with the divestment of the Licensed Entities, IMC entered into option agreements whereby IMC retains a 10 year option to re-acquire the sold interests at such time as Israeli laws permit foreign share ownership of more than 5% of Israeli medical cannabis companies (the "Option Agreements").

## Management's Discussion and Analysis

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In connection with the IMC Restructuring, IMC entered into a license agreement with Focus (the "License Agreement") that granted Focus a limited, non-exclusive, non-assignable right to use certain of IMC's IP for the purposes of cultivating cannabis plants in the State of Israel and for the sale of any plant and/or product produced by Focus, either alone or together with other sub-contractors engaged by Focus. As consideration for the License Agreement, Focus agreed to pay to IMC an amount equal to 25% of Focus' total revenues, payable quarterly.

Also in connection with the IMC Restructuring, IMC entered into a services agreement with Focus (the "Services Agreement", and together with the License Agreement, the Commercial Agreements) to provide certain business support services to Focus in exchange for a fee equal to IMC's cost plus 25%, payable on a quarterly basis.

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

As a result of the IMC Restructuring, IMCC derives revenue from the Commercial Agreements. IMCC does not directly hold any licenses to engage in the cultivation, production, processing, distribution or sale of medical cannabis in Israel.

### (iii) License Renewal

The MOH automatically renewed the license of Focus until June 30, 2020. The license allows Focus, to, among other things: (1) grow and hold in the growing installation at any given time a total of up to 12,000 plants of different types and at different cultivation stages; (2) grow and hold up to 900 kilograms of plant inflorescence at post-harvest processing stages; (3) grow and hold up to 450 kilograms of unplanted plant parts, including plants that are uprooted and not intended to be processed; and (4) cultivate and store up to 3,630 plants of different types and at the different cultivation stages.

### (iv) Regulatory Changes

Until September 2019, patients received licenses for the use of medical cannabis from the IMCA, which set a fixed monthly price for patients registered to receive products, regardless of the amount they consumed. Patients who were entitled to receive the product, paid a fixed price of 370 NIS per month (including VAT); thus, a patient that received 20 grams of the product paid the same as a patient that received 180 grams. Beginning in April 2018, the MOH initiated a pilot to sell medical cannabis products through pharmacies. Under the MOH's new regulations, patients will obtain a prescription for medical cannabis from a physician and purchase the prescribed medicine from pharmacies. In addition, the price of medical cannabis will no longer be controlled by the MOH and is expected to increase to reflect patients' actual consumption amounts and choices of products.

Following the implementation of the reform on October 2019, IMCC expects the Israeli medical cannabis market to benefit in the short-term future for several reasons, including:

- (a) price increases;
- (b) the tripling of the number of physicians certified by the IMCA to prescribe medical cannabis;
- (c) the ability of physicians to directly prescribe medical cannabis to patients rather than the previous qualification method whereby the IMCA assigned patients to suppliers;

## Management's Discussion and Analysis

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- (d) the continued growth rate of the Israeli medical cannabis patient base and the resolution of an IMCA backlog that has slowed the approval process; and
- (e) the expansion of the list of ailments and diseases for which medical cannabis can be prescribed<sup>1</sup> to treat.

Focus had previously distributed approximately 80% of its medical cannabis products by home delivery and 20% via one designated distribution outlet set by the IMCA. Under the new regulation, the sales will go from the licensed producer (the "LP") to the manufacturer, who will sell to the pharmacies using a logistic warehouse.

### (v) Medical Cannabis Exports

The Israeli government approved an export reform in January 2019 and the first LPs who received export licenses from the MOH began exporting medical cannabis products in January 2020. Given IMCC's brands and market position, the Company expects to benefit from export.

### (vi) International Activity

IMCC believes that the key to its global expansion is penetration to the European market through the promotion of IMCC's brand as part of a wholly-owned distribution platform.

IMCC's European strategy begins with Germany, which is currently the largest and most advanced medical cannabis market in Europe. To develop its operations in Germany, on March 15, 2019, IMC completed the acquisition of 100% of Adjupharm, a licensed EU-GMP distributor with narcotics handling and import/export licenses for medical cannabis. IMC acquired issued and outstanding Adjupharm shares for €924 (approximately \$1,400) with additional obligations to the sellers including repayment of bank loans of up to €680 (approximately \$1,030). These bank loans were repaid by IMC on May 2019. On March 21, 2019, following the acquisition, IMC granted to Adjupharm's CEO 5% of Adjupharm's ordinary shares.

Adjupharm will begin to develop IMCC's brand presence in Germany along with a distribution stronghold in this growing medical cannabis market.

To achieve sufficient product availability for distribution in the German market, IMCC expects to enter into strategic agreements with EU-GMP suppliers, establish its own cultivation facilities independently or in partnership with local partners, and promote the export of Focus' and other LPs' products from Israel once export is permitted by the MOH.

In October 2018, IMC established a wholly-owned company in Portugal in order to apply for a medical cannabis cultivation license. The application to receive the license is currently in the final stage of review. Once the Company is licensed, IMCC intends to also use the company in Portugal in order to export medical cannabis to partners in Europe.

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<sup>1</sup> Medical Cannabis -Information and Medical Guidebook, Ministry of Health, Circular of Deputy General Manager, 2nd Revision, December 2017 [https://www.health.gov.il/hozer/mmk154\\_2016.pdf](https://www.health.gov.il/hozer/mmk154_2016.pdf)



## Management's Discussion and Analysis

### (vii) Investment in Xinteza

On December 26, 2019, IMCC entered into a share purchase agreement ("SPA") with Xinteza API Ltd. ("Xinteza"), a company with a unique biosynthesis technology, whereby the IMCC will acquire 25% of Xinteza's outstanding common shares for consideration of up to US\$1,700 thousand in several installments. IMCC's investment will be funded with existing cash resources. The first installment in the amount of US\$ 700 thousand (\$912) for the purchase of approximately 15,700 preferred shares of Xinteza was made on the date of the SPA. The remaining installments amounting to US\$ 1,000 thousand are to be paid by June 2020.

Under an exclusive license from Yeda Research & Development Company Ltd., the commercial arm of the Weizmann Institute of Science, one of the world's leading multidisciplinary basic research institutions in natural and exact sciences, and based on disruptive plant genetics and metabolomics research led by Professor Asaph Aharoni, Xinteza is developing advanced proprietary technologies related to the production of cannabinoid-based active pharmaceutical ingredients ("API") for the pharmaceutical and food industries using biosynthesis and bio-extraction technologies. The investment was measured at fair value through profit or loss.

### Overview of Financial Performance

Financial Results	For the year ended December 31,			For the three months ended December 31,	
	2019	2018	2017	2019	2018
Revenues ('000)	9,074	5,197	4,393	2,479	1,439
Gross margin before fair value impacts in cost of sales ('000)	4,313	3,422	2,425	881	1,197
Gross margin before fair value impacts in cost of sales (%)	48%	66%	55%	36%	83%
Net Income (Loss) ('000)	(7,419)	2,627	727	1,691	1,268
Net Income (Loss) per share Basic and Diluted	(0.06)	0.02	0.01		

Balance Sheet	December 31,		
	2019	2018	2017
Total assets ('000)	30,894	14,994	3,643
Total liabilities ('000)	4,785	3,383	1,846
Working Capital	21,682	12,307	1,278

Operational Results - Medical Cannabis	For the year ended December 31,			
	2019		2018	
Average net selling price of dried cannabis (per Gram)	\$	3.39	\$	2.61
Quantity produced (in Kilograms)		2,351		2,461
Quantity sold (in Kilograms)		2,180		1,597

The Group's financial results for the period continued to show strong growth in dried medical cannabis. Compared to the year ended 2018, medical cannabis revenue increased by 75%, primarily due to a significant increase in the average net selling price of dried cannabis. There was no significant change in cannabis inventory and biological assets in the year ended December 31, 2019, compared to the previous year.

## Management's Discussion and Analysis

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Focus' production and operations have been consistently growing in both sales and capacity since inception. The Group has maintained its emphasis on providing quality products produced in a cost-effective manner. Cost of goods sold and operating expenses before fair value adjustments for the year ended December 31, 2019, increased primarily due to the following items:

- costs incurred to meet requirements of the MOH's new regulation;
- employment and the contracting of experienced personnel and experts;
- additional business development activities related to the Company's global activities and
- additional corporate activities.

Other significant corporate costs in 2019 include the listing of the company on the CSE and the Reverse Takeover Transaction (\$3,632), as well as increased share-based compensation (\$2,677).

During the year ended December 31, 2019, the Group focused its efforts and operational and capital spending on the following:

- registration and preparation for listing on the CSE;
- hiring of financial advisors and establishing management personnel;
- optimizing and increasing production to meet the anticipated increase in product demand;
- increasing market awareness of the Company and its products; and
- acquiring distribution companies abroad and investing in strategic partnerships.

### Metrics and Non-IFRS Financial Measures

This MD&A makes reference to certain non-IFRS financial measures including **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.

Management defines EBITDA as income earned or lost from operations, as reported, before interest and tax. Adjusted EBITDA 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, depreciation of right-of-use assets, revaluation adjustments of financial assets and liabilities measured on a fair value basis and non-recurring Reverse Takeover Transaction listing costs included in operating expenses. 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.

These 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. See "*Overview of Financial Performance*" in this MD&A.

## Management's Discussion and Analysis

	For the year Ended December 31,		For the three months ended December 31,	
	2019	2018	2019	2018
Operational Profit (Loss)	(10,275)	3,083	(6,222)	1,716
Depreciation & Amortization	601	182	165	100
<b>EBITDA</b>	<b>(9,674)</b>	<b>3,265</b>	<b>(6,057)</b>	<b>1,816</b>
IFRS Biological assets fair value adjustments, net	384	(2,774)	1,154	(1,400)
Share-based payments	2,677	-	713	-
Listing cost of reverse acquisition	3,632	-	3,632	-
Other Non-recurring costs	1,167	-	-	-
<b>Adjusted EBITDA (Non-IFRS)</b>	<b>(1,814)</b>	<b>491</b>	<b>(558)</b>	<b>416</b>

The Company's Adjusted EBITDA was reduced by \$2,305 and \$974 during the year and three months ended December 31, 2019, respectively, when compared with the year and three months ended December 31, 2018, mainly due to corporate activities related to the Group's expansion of operations, as well as to enhanced marketing activities. Other non-recurring costs include mainly one-time costs related to the acquisition of Adjupharm. Adjusted EBITDA for the three months ended December 31, 2019 was (\$558), showing the Company is near to breakeven for its daily operations.

## Selected quarterly financial information

	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Revenues	2,479	2,326	2,314	1,955
Net income (Loss)	1,691	(1,915)	(610)	(6,591)
Net Income (Loss) per share	0.02	(0.01)	(0.01)	(0.06)

	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Revenues	1,439	1,377	1,277	1,105
Net income (Loss)	1,268	1,414	(960)	906
Net Income (Loss) per share	0.01	0.01	(0.01)	0.01

## Management's Discussion and Analysis

On a quarterly basis, the Company's shows constantly increasing revenues, which reflect the Company's expansion strategy.

### Operating, Financing and Investing Activities

The following table highlights the Company's cash flows for the year ended December 31, 2019 as compared to the year ended December 31, 2018:

Net cash provided by (used in)	For the year Ended	
	2019	2018
Operating activities	(5,959)	(431)
Investing activities	(3,775)	(729)
Financing activities	17,051	8,377
Effect of foreign exchange	(982)	135
<b>Increase in cash</b>	<b>6,335</b>	<b>7,352</b>

Operating activities used cash of \$5,959 in 2019 as compared to \$431 in 2018. In 2019, cash was primarily used to increase operating activities in connection with the corporate activities related to acquisition of Adjupharm, and the listing of the company in the CSE. Among other costs, these costs include recruitment of qualified personnel to the IMCC team and receiving professional services.

Investing activities used cash of \$3,775 in 2019, as compared to \$729 in 2018. In 2019, cash was used primarily for the acquisition of Adjupharm in the amount of \$1,316, purchase of production equipment for Focus and an investment in Xinteza in the amount of \$912.

Financing activities provided net cash of \$17,051 in 2019, as compared to \$8,377 in 2018, with the greater amount in 2019 due to the completion of the Reverse Takeover Transaction and a financing round of \$22,433.

### Review of Operations for years ended December 31, 2019 and 2018

#### Revenues

The Group operates in one reporting segment. The main revenues of the Group are generated from sales of medical cannabis products to customers in Israel.

Revenues for the year ended December 31, 2019 were \$9,074 compared to \$5,197 for the year ended December 31, 2018, an increase of \$3,877 or 75%. Revenues for the three-months ended December 31, 2019 were \$2,479 compared to \$1,439 for the three months ended December 31, 2018, an increase of \$1,041 or 72%. The increase in revenues was primarily due to the growth of Focus' customer base and higher realized pricing. Total product sold for the year ended December 31, 2019 was 2,180 kilograms at an average selling price of \$3.39 per gram compared to 1,597 kilograms for the year ended December 31, 2018 at an average selling price of \$263 per gram.

#### Cost of revenues

The cost of revenues includes production, 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 cost of revenues for the year ended December 31, 2019 and 2018 were \$4,761 and \$1,775, respectively, representing an increase of \$2,986 or 168%. Cost of revenues for the three-months ended December 31, 2019 and 2018 were \$1,598 and \$242, respectively, representing an increase of \$1,356 or 561 %. Most of the cost of revenues were comprised of production works, utilities, salary expenses and deliveries, as well as from certain adjustments the Company had to make in order to adhere to the MOH's new regulation. Focus expects net cost of sales to vary from quarter to quarter based on the number of pre-harvest plants, after harvest plants and the strains being grown and based on technological progress in the trimming machines.

**Management's Discussion and Analysis**

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Gross profit

Included in the Company's calculation of gross profit are the following:

- production costs (current period costs that are directly attributable to the cannabis growing and harvesting process);
- 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).

Included in gross profit is 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 for the year ended December 31, 2019 was \$3,929, compared to \$6,196 for the year ended December 31, 2018, a decrease of \$2,267 or 37 %. Gross profit included unrealized gain from changes in biological assets and realized fair value adjustments on inventory sold in the period of \$384 compared to (\$2,774) during the year ended December 31, 2019 and 2018, respectively. Gross profit (loss) for the three-months ended December 31, 2019 was (\$271), compared to \$2,571 for the three-months ended December 31, 2018, a decrease of \$2,843 or 111%. Gross profit included unrealized gain from changes in biological assets and realized fair value adjustments on inventory sold in the period of \$1,153, compared to (\$1,374) during the three-months ended December 31, 2019 and 2018, respectively. We expect gross profit to vary from quarter to quarter based on the number of pre-harvest plants, after harvest plants and the strains being grown at the end of the quarter.

Expenses**General and Administrative**

General and administrative expenses for the year ended December 31, 2019 were \$6,422, compared to \$2,520 for the year ended December 31, 2018, an increase of \$3,902 or 155%. General and administrative expenses for the three-months ended December 31, 2019 were \$1,297, compared to \$1,247 for the three-months ended December 31, 2018, an increase of \$50 or 4%. The increase represented the Company's efforts to bring more labour and talent into the Company, increased travel, increased corporate activity, investor relations and maintenance costs, as well as the consolidation of Adjupharm's results from March 2019 and other overhead associated with the Company's growth including contactors, professional fees, listing related expenses and increased site security.

**Management's Discussion and Analysis**

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**Selling and Marketing**

Selling and marketing expenses for the year ended December 31, 2019 were \$1,240, compared to \$510 for the year ended December 31, 2018, an increase of \$730 or 143%. Selling and marketing expenses for the three-months ended December 31, 2019 were \$275, compared to \$184 for the three-months ended December 31, 2018, an increase of \$91 or 50%. The increase in the Selling and marketing expenses was due to the increased sales to different customer bases, which increased distribution expenses.

**Research and Development**

Research and development expenses for the year ended December 31, 2019 were \$233, compared to \$83 for the year ended December 31, 2018, an increase of \$150 or 180%. Research and development expenses for the three-month ended December 31, 2019 were \$32, compared to \$83 for the three-months ended December 31, 2018, a decrease of \$52 or 62%. The increase was primarily due to preliminary costs for new projects in Israel, Germany, Spain, Greece and Portugal.

**Share-based compensation**

Share-based compensation expenses for the year ended December 31, 2019 were \$2,677. Share-based compensation expenses for the three-month ended December 31, 2019 were \$713. The increase was primarily due to the options granted to employees on January 2019.

**Financing**

Financing income, net, for the year ended December 31, 2019 was \$2,946, compared to \$285 for the year ended December 31, 2018, an increase of \$2,661 or 934%. Financing income, net, for the three-months ended December 31, 2019 was \$7,546, compared to \$465 for the year ended December 31, 2018, an increase of \$7,081 or 1,522%. The change was mainly due to the valuation update of the warrants issued in June 2018, lease expenses accounted for according to IFRS 16 and exchange rate differences.

**Depreciation and Amortization**

Depreciation and amortization expenses for the year ended December 31, 2019 were \$601, compared to \$178 during the same period in 2018, an increase of \$442 or 238%. Depreciation and amortization expenses for the three-months ended December 31, 2019 were \$165, compared to \$78 during the same period in 2018, an increase of \$87 or 12 %. The increase was primarily due to the new application of IFRS 16, renewal of Focus' greenhouses and Focus' purchase of additional machinery during 2019 as well as intangible assets amortization following the acquisition of Adjupharm.

**Net Income/Loss**

Net loss for the year ended December 31, 2019 was (\$7,419), compared to a profit of \$2,627 for the year ended December 31, 2018, a decrease of \$10,046 or 382%. The net loss of the Company for the year ended December 31, 2019 included a one-time, non-recurring listing cost of the Reverse Takeover Transaction in the amount of \$3,632. Excluding this non-recurring cost, the share-based payment in the amount of \$2,677, and the finance income due to the warrants revaluation in the amount of (\$2,797), the net adjusted loss of the Company was (\$3,907).

**Management's Discussion and Analysis**

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Net profit for the three-months ended December 31, 2019 was \$1,691 compared to a net profit of \$1,268 for the three-months ended December 31, 2018, an increase of \$423 or 33%. The increase related mainly to the factors impacting net income from operations described above, offset by finance income driven by revaluation of warrants in the amount of (\$2,797) which were recorded in the Company's books against liability on the grant day and were re-evaluated at year end through profit or loss.

**Loss per Share**

Basic loss per share is calculated by dividing the net profit attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted profit per share is calculated by adjusting the earnings and number of 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 share excludes un-issued common shares related to stock options as they are antidilutive. Basic and diluted loss per share for the year ended December 31, 2019 were (\$0.06) per share.

**Total Assets**

Total assets as at December 31, 2019 were \$30,894, compared to \$14,994 as at December 31, 2018, an increase of \$15,900 or 106%. This increase was primarily due to the completion of the private placement offering of 19,460,527 subscription receipts in which Finco, a subsidiary of the Company, raised approximately \$20,433. The Company used part of the proceeds for its operating activities, as well as to acquire Adjupharm in March 2019, which allowed the Company to recognize intangible assets and goodwill.

**Total Liabilities**

Total liabilities as at December 31, 2019 were \$4,785, compared to \$3,383 at December 31, 2018, an increase of \$1,401 or 41%. The increase was primarily due to lease liabilities coming out from the new application of IFRS 16, offset by a warrants liability decrease of \$856.

**Intangible Assets**

On March 15, 2019, IMC acquired Adjupharm, a licensed GMP producer with wholesale, narcotics handling and import/export licenses for medical cannabis. As part of its global expansion and penetration plan into the European market, IMC acquired 100% of Adjupharm's issued and outstanding shares for €924 (approximately \$1,400).

Through the acquisition of Adjupharm, the Company recognized \$1,288 in intangible assets and goodwill. The goodwill arising on the acquisition was attributed to the expected benefits from the synergies of the combination of the activities of the Company and Adjupharm.

The goodwill recognized is not expected to be deductible for income tax purposes.

The Company recognized and updated the fair value of the assets acquired and liabilities assumed in the business combination according to a final valuation made by an external valuation specialist.

## Management's Discussion and Analysis

### Liquidity and Capital Resources

For the year ended December 31, 2019, the Company generated revenues of \$9,074 from operations and financed its operations while meeting its capital requirements primarily through the October 2019 equity financing, upon Reverse Takeover Transaction and listing on the CSE. The Company's objectives when managing its liquidity and capital resources are to generate enough cash to fund the Company's operating and working capital requirements.

In the plan for use of available funds mentioned in the Company's listing, the Company have provided the following information:

Source of Funds	Amount (\$)
The Company's working capital as of August 31, 2019	2,256
Proceeds from the 2019 Subscription Receipt Financing net of commissions and expenses	19,174
<b>TOTAL AVAILABLE FUNDS</b>	<b>21,430</b>

Uses of Available Funds	Amount (\$)
Israel expansion	4,000
Working capital for German distributor	2,000
Allocation for Germany inventory purchasing	4,000
Construction costs for Greek cultivation and production facility	2,200
Initial investment capital for IMC Ventures and investments	5,500
General corporate purposes and G&A expenses for 12 months following the completion of the Reverse Takeover Transaction (net of cash flow from operations)	2,250
Unallocated working capital	1,480
<b>TOTAL</b>	<b>21,430</b>

As at December 31, 2019, the Company has paid approximately \$2,900 for purchase of inventory and working capital in Germany, \$2,500 Capex and working capital costs in Focus expansion, \$900 venture capital investment in Xinteza, and approximately \$1,200 for general corporate purposes and other unallocated working capital.

As at December 31, 2019, the Company had a working capital surplus of \$21,682, compared to a working capital of \$12,307 as at December 31, 2018. The increase in working capital of \$9,375 was primarily attributable to the cash raised from the Company's equity financing. As of March 31, 2020 the Company had an unaudited cash balance of \$11,800 and no debt.

As at December 31, 2019, 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, 2019, management considers liquidity risk to be low.



## Management's Discussion and Analysis

As at December 31, 2019 the Group has identified the following liquidity risk related to financial liabilities:

	<u>Less than one year</u>	<u>1 to 5 years</u>	<u>6 to 10 years</u>	<u>&gt;10 years</u>
Lease liabilities	\$ 229	\$ 566	\$ 553	\$ 46

The maturity profile of the Company's other financial liabilities (trade payables, other account payable and accrued expenses, and warrants) as of December 31, 2019 and 2018, are less than one year.

The consolidated 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 consolidated 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 a limited number of common shares without par value, 145,743,283 of which are issued and outstanding as of the date of this MD&A.

The Company's common shares confer upon their holders the right to participate in the general meeting where each common share having one voting right in all matters. The Company's 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. In addition, the issued and outstanding share capital is represented retrospectively after split of 1:10.

## Contingent Liabilities and Commitments

### (i) Rental Liabilities

In August, 2010, Focus signed an agreement with a farmer, located in the south of Israel (the "Farmer"), according to which Focus and the Farmer agreed to jointly operate an area of 7,000 square meters (the "Facility") for the cultivation and processing of medical cannabis (the "Venture"). For the purpose of this Venture, the parties agreed to operate under the operation of Focus. As part of the agreement, 26% of the share capital of Focus was allocated to the Farmer.

According to the agreement, Focus is responsible for transferring to the Farmer payments for the construction and rental of the Facility.

On December 1, 2016, Focus signed an additional agreement with the Farmer, according to which Focus agreed to operate an additional area of 6,000 square meters for the cultivation and processing of medical cannabis, under the operation of Focus.

As of January 1, 2019, all rental liabilities are subject to IFRS16 and are reflected in the Company's balance sheet.

## Management's Discussion and Analysis

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### (ii) Class Action T.Z. 8394-11-16

On November 3, 2016, a motion was filed for approval of a class action against Focus and seven other Israeli cannabis growers (collectively, the "Growers"), for: (1) alleged use of chemical pesticides in the cannabis growing process, in contradiction to the Plant Protection Regulations (Compliance with Packaging Label Instructions) (the "Label Regulations") and to the Protection of Public Health Regulations (Food) (Residues of Pesticides) (the "Residues Regulations"), and the misleading of their customers, thus violating the Consumer Protection Law (the "Consumer Law") (hereafter: the "usage of pesticides claim"); (2) selling cannabis product with lower concentration of active ingredients than publicized; and (3) marketing products in defective packaging - allegedly causing violation of autonomy and unjust enrichment. The personal suit sum for every class member stands at NIS 5,000 (\$2). The total amount of the class action suit is estimated at NIS 133 million (\$50,633).

The Growers argued in their response that the threshold conditions for approval of a class action were not met, and that they did not violate the Label Regulations and the Residues Regulations. The Growers also argued that they are not liable for any civil wrongdoing, nor did they mislead users regarding usage of pesticides, or had any legal duty regarding cannabis packaging beyond MOH guidance and therefore did not breach any statutory duty. Additionally, the defense argues that there is no base for an unjust enrichment claim.

On September 6, 2018, the MOH and the Ministry of Agriculture submitted their official opinion to the court. The second preliminary hearing took place on October 29, 2018 and subsequently an evidentiary hearing was set for September 9, 2019.

On November 11, 2019, the Court approved a procedural arrangement, in which the petitioners will submit their written summaries within 60 days; the Growers will submit their summaries within 60 days from November 11, 2019; and the applicants may submit replay summaries to the Growers within 30 days, up to April 19, 2020.

On November 26, 2019, the Growers submitted exhibits of cannabis packaging, according to the determination at the evidentiary hearing.

On December 31, 2019, the applicants submitted their summaries. On April 12, 2020, the court approved the Growers request, in which their response to the Motion will be submitted prior to April 23, 2020.

At the current stage of the litigation process, Company's management believes, based on the opinion of its legal counsel, that it is not probable (more likely than not) that the motion for a class action against Focus will be approved. Therefore, an accrual in respect of this litigation was recorded in the financial statements.

### (iii) Class Action T.Z. 35676-08-19

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 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); the total amount of the class action suit is estimated at NIS 686,000 (\$261,000). On February 20, 2020, the court approved the Companies' request, in which their response to the Motion was to be submitted prior to March 29, 2020. Due to the Coronavirus outbreak, the Companies' response to the Motion will be submitted at some point prior to May 3, 2020.

## Management's Discussion and Analysis

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At this preliminary stage, Focus' management believes, based on the opinion of its legal counsel, that it is not possible to assess the prospects of the proceeding. Therefore, no provision has been recorded in respect thereof.

### (iv) Supreme Court of Justice 2335/19

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, disproportionately, 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.

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, at this time, the validity of the interim injunction, so that the medical cannabis use licenses, which were extended under the decision, will 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.

The Court also decided that a further extension of the period of the interim injunction will be 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.

With respect to the continuation of the legal process, the Court held that the respondents represented by the Israeli State Attorney's Office shall submit an updated notice to the Court regarding the progress of the proceedings before the Price Committee prior to May 1, 2020.

At this preliminary stage, Focus' management believes, based on the opinion of its legal counsel, that it is not possible to assess the outcome of the proceeding. Therefore, no provision has been recorded in respect thereof.

### (v) Class Action T.Z. 31805-10-19

On October 30, 2019, Focus was served with a motion for approval of a class action against it, the Medical Cannabis Unit of the MOH ("MCU"), and five other companies related to the cannabis market in Israel. The motion was filed in connection to a stopping of supplies of medical cannabis by way of direct supply. The legal causes alleged in the motion are the following: discrimination in violation of the Equal Rights for Persons with Disabilities Act, 1988 and a restrictive arrangement contrary to the Economic Competition Law, 1988. The motion argues that the class action group incurred damages at the amount of NIS 656 Million (\$250,000). On March 20, 2020 the court approved the Company's request, in which its response to the motion will be submitted prior to May 17, 2020. The pre-hearing is scheduled for October 25, 2020.

At this preliminary stage, Focus' management believes, based on the opinion of its legal counsel, that it is not possible to assess the prospects of the proceeding. Therefore, no provision has been recorded in respect thereof.

## **Management's Discussion and Analysis**

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### **Off-Balance Sheet Arrangements**

IMCC has no off-balance sheet arrangements as at December 31, 2019.

### **Transactions with Related Parties**

The Company had no 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.

### **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 IMCC currently competes is complex, competitive and changing rapidly. 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.

The following risk factors have been identified by management:

#### Financial Risk Factors

##### **(i) General Business Risk and Liability**

Given the nature of the Company'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 Company, 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. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or the suspension or revocation of the Company's right to carry on its existing business. The Company may incur significant costs in connection with such potential liabilities.

##### **(ii) Regulation of the Cannabis Industry**

The 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, relating to the manufacture, marketing, management, transportation, storage, sale, pricing and disposal of medical cannabis and cannabis oil, and also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment.

Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Group, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services. Achievement of the Group's 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.

**Management's Discussion and Analysis**

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The Group cannot predict the time required to secure all appropriate regulatory approvals for its products, 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 and financial condition 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 Group's 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 Company's products or services in any way, this could have a material adverse effect on the business, results of operations and financial condition of the Group.

(iii) 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, transportation, storage, sale and disposal of medical cannabis but also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. While the Company is currently in compliance with all such laws, regulations and guidelines, any changes due to matters on such laws and regulations beyond the control of the Company could have a material adverse effect on the business, results of operations and financial condition of the Company.

(iv) Environmental and Employee Health and Safety Regulations

The Group's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and nonhazardous materials and wastes, and employee health and safety. The Group 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 restrictions on our 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.

(v) Reliance on License Renewal

Focus is dependent on its cultivation license issued by the MOH (the "License") and the need to maintain the License in good standing. Failure to comply with the requirements of the License or any failure to maintain the License would have a material adverse impact on the business, financial condition and operating results of Focus and the Company, which derives revenues from Focus. The license was renewed on December 13, 2018 and expires June 30, 2020. Although management believes it will meet the requirements of the MOH annually for extension of the License, there can be no guarantee that MOH will extend or renew the License or, if it is extended or renewed, that it will be extended or renewed on the same or similar terms.

Should MOH not extend or renew the License, or should it renew the License on different terms or not allow for anticipated capacity increases, the business, financial condition and results of the operations of the Focus will be materially adversely affected.

**Management's Discussion and Analysis**

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**(vi) Dependence on Senior Management**

The success of the Company is dependent upon the contributions of senior management. The loss of any of these individuals, or an inability to attract, retain and motivate sufficient members of qualified senior management personnel could adversely affect its business. This risk is partially mitigated by the fact that the senior management team are significant shareholders in the Company.

**(vii) Competition in the Industry**

There is potential that the Company will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than the Company. Because of the early stage of the industry in which IMCC operates, the Company expects to face additional competition from new entrants. If the number of users of medical cannabis in Israel increases, the demand for products 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.

There is also the potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope. Increased competition by larger, better-financed competitors with geographic advantages could materially and adversely affect the business, financial condition and results of operations of the Company.

**(viii) Risks Inherent in the Agricultural Business**

The Company's business, specifically as it pertains to its relationship with Focus, involves the growing of medical cannabis, which is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as pests, plant diseases and similar agricultural risks. Although Focus grows its products indoors under climate-controlled conditions, and carefully monitors the growing conditions with trained personnel, 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 of Focus.

**(ix) Restrictions on Sales and Marketing**

The industry is in its early development stage and restrictions on sales and marketing activities imposed by the MOH, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations 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.

**(x) Publicity or Consumer Perception**

The Company believes the medical cannabis industry is highly dependent upon consumer perception regarding the safety, efficiency and quality of the medical cannabis produced. Consumer perception of the Company'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.

**Management's Discussion and Analysis**

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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 Company's brand and the business, results of operations, financial condition and the Company's cash flows. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for products bearing the Company's brand, and the business, results of operations, financial condition and cash flows of the Company.

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

(xi) 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 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 materially impact the business, financial condition, and operating results of the Company. Any ability to secure required supplies and services or to do so on appropriate terms could also have a materially adverse opinion impact on the business, financial condition, and operating results of the Company.

(xii) Sufficiency of Insurance

The Company maintains various types of insurance which may include product liability insurance (see "Potential Product Liability" below), errors and omission insurance, directors', 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 will 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 Company in excess of available coverage could have a material adverse effect of the Company in terms of damages awarded and the impact and reputation of the Company.

(xiii) Potential Product Liability

As IMCC derives a significant portion of its revenues from Focus, which is a manufacturer of products designed to be ingested or inhaled by humans. Focus products bearing the Company's brand 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 Focus products bearing the Company's brand involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination, unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of Focus products bearing the Company's brand alone or in combination with other medications or substances could occur.

The Company may be subject to various product liability claims, including, among others, that products bearing IMCC's brand 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 Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Company.

**Management's Discussion and Analysis**

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There can be no assurances that the Company 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 products bearing the Company's brand.

**(xiv) Potential General Litigation**

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company become involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Company's common shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources.

**(xv) 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 bearing IMCC's brand are recalled due to an alleged product defect or for any other reason, IMCC could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall.

IMCC 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 Company 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 Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any one of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of IMCC's operations by the MOH or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

**(xvi) Management of Growth**

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, that may have a material adverse effect on the Company's business, financial condition, results of operation and prospects.

**(xvii) 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 in contravention to Israeli rules restricting the ownership of Israeli cannabis cultivators and thereby jeopardizing Focus' cannabis cultivation license. If the Company is deemed to be in contravention of Israeli rules, that 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.



**Management's Discussion and Analysis**

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**(xviii) COVID-19**

The current global uncertainty with respect to the spread of the COVID-19 novel coronavirus ("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 Company's business in the coming months.

The Company has taken proactive measures in the early stages of the COVID-19 pandemic to protect the health and safety of its employees, to continue delivering high quality medical cannabis to its patients and to maintain its balance sheet.

While the precise impact of the COVID-19 outbreak on the Company remains unknown, rapid spread of COVID-19 and declaration of the outbreak as a global pandemic has 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 and around the world and could result in additional precautionary measures that could impact the Company'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, which could interrupt supplies and other services from third parties upon which the Company relies, decrease demand for products, 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 Company.

**(xix) Focus' Essential Service Designation**

In response to the pandemic, the State of Israel has implemented mandatory shut-downs of non-essential businesses to prevent the spread of COVID-19. Focus' business has been deemed an "essential service", permitting it to continue production. There is no guarantee that further measures may nevertheless require Focus to shut down or limit its operations in the State of Israel. Any disruptions to the business and operations of Focus in the event that Focus were to lose its designation as an "essential service" in the State of Israel may materially and negatively impact the business, financial condition and results of operations of the Company.

**Company Outlook**

The Company, through the License Agreement and Services Agreement, continues to expand brand recognition, to supply the growing medical market in Israel with products bearing IMCC's brand. Additionally, the government is discussing the possibility of exporting cannabis and changing the pricing method from fixed price to various price, which could increase the Company's revenues.

**Critical Accounting Estimates**

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.

## Management's Discussion and Analysis

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### New standards, interpretations and amendments

The following new accounting standards applied or adopted during the year ended December 31, 2019, had impact on the annual consolidated financial statements:

#### *IFRS 16 - Leases* ["IFRS 16"]

In January 2016, the International Accounting Standards Board (the "IASB") issued IFRS 16, Leases (the "New Standard"). According to the New Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

The principal changes of the New Standard are as follows:

- According to the New Standard, lessees are required to recognize all leases in the statement of financial position (excluding certain exceptions, see below). Lessees will recognize a liability for lease payments with a corresponding right-of-use asset, similar to the accounting treatment for finance leases under the existing standard, IAS 17, "Leases". Lessees will also recognize interest expense and depreciation expense separately.
- Variable lease payments that are not dependent on changes in the Consumer Price Index ("CPI") or interest rates but are based on performance or use are recognized as an expense by the lessees as incurred and recognized as income by the lessors as earned.
- In the event of change in variable lease payments that are CPI-linked, lessees are required to re-measure the lease liability and record the effect of the re-measurement as an adjustment to the carrying amount of the right-of-use asset.
- The New Standard includes two exceptions which allow lessees to account for leases based on the existing accounting treatment for operating leases - leases for which the underlying asset is of low financial value and short-term leases (up to one year).
- The accounting treatment by lessors remains substantially unchanged from the existing standard, namely classification of a lease as a finance lease or an operating lease.

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 Company's incremental borrowing rate. After the commencement date, the Company 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 depreciated over the shorter of its useful life and the lease term.

The principal effects of the initial application of the New Standard are in respect of existing lease contracts in which the Company is the lessee. According to the New Standard, excluding certain exceptions, the Company recognizes a lease liability and a corresponding right-of-use asset for each lease in which it is the lessee. This accounting treatment is different than the accounting treatment applied under IAS 17 according to which lease payments in respect of leases contracts for which substantially all the risks and rewards incidental to ownership of the underlying asset are not transferred to the lessee are recognized in profit or loss on a straight-line basis over the lease term (refer to Note 2m to the Annual Financial Statements).

## Management's Discussion and Analysis

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### New standards in the period prior to their adoption

#### *IFRS 3, "Business Combinations":*

In October 2018, the IASB issued an amendment to the definition of a "business" in IFRS 3, "Business Combinations" ("the Amendment"). The 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 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 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.

### Subsequent Events

- a. On January 23, 2020 IMCC signed definitive agreements to establish a medical cannabis cultivation and processing joint venture in Greece (the "Joint Venture") with Galen Industries Single Member Societe Anonyme ("Galen"), a Greek company established by a consortium of investors in Greece with extensive experience in the pharmaceutical, media, finance and energy sectors.

IMCC will own 25% of the Joint Venture and the remaining 75% of the Joint Venture will be owned by Galen. Each party is committed to fund the initial capital expenditures, totaling approximately up to €8,000,000 (\$11,675) to fund the construction of an EU-GMP certified cultivation and processing facility in Greece. IMCC will invest up to €1,500,000 (\$2,189) into the Joint Venture, with the balance funded by Galen. Execution of the Joint Venture's business plan will start immediately and construction of greenhouses as well as the EU-GMP facility is expected to begin upon receiving the Establishment Approval from the Greek medical cannabis regulatory authorities. The Joint Venture land plot size is expected to be 100,000 to 180,000 square meters (or 1,076,000 to 1,938,000 square feet).

## Management's Discussion and Analysis

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In addition, the Joint Venture and IMCC have signed a preferred supply agreement (the "JV Supply Agreement"). Under the JV Supply Agreement, IMCC has the right to purchase up to 25% of the total production from the Joint Venture at a preferred price as determined in the agreement, for an initial period of five years. IMCC expects to gain commercial and competitive advantages by supplying the German market and other emerging markets across Europe with EU-GMP medical cannabis products from the Joint Venture's facility in Greece at preferred terms.

- b. On March 23, 2020 Focus signed a supply agreement with Intelicanna Ltd. ("Intelicanna") (TASE:INTL) for a minimum of 500 kilograms and up to 1,000 kilograms of medical cannabis (the "Intelicanna Supply Agreement"). Additional purchases may be made by Focus under the Intelicanna Supply Agreement without a change to the contracted price paid to Intelicanna. The final products will be sold to pharmacies in Israel under the IMCC brand. The Intelicanna Supply Agreement is for a term of 12 months from the date of the first planting in Intelicanna's facility is contingent on Intelicanna receiving IMC-GAP approval by June 15, 2020.

Intelicanna will obtain access to Focus's unique and proprietary genetics for the purpose of delivering product under the Intelicanna Supply Agreement, but the genetics will remain the exclusive property of Focus. Intelicanna may not sell, transfer or perform research with the genetics it accesses through this Intelicanna Supply Agreement without consent from Focus. Under the Intelicanna Supply Agreement, Intelicanna is responsible for all production activities, but Focus will have access to Intelicanna's growing facility to monitor the entire growing process.

- c. On March 30, 2020 Focus signed a binding three-year sales agreement for the sale of medical cannabis (the "Oranim Pharm/Medi Plus Sales Agreement") to three pharmacies in Jerusalem operating under the Oranim Pharm and Medi Plus banners (the "Jerusalem Pharmacies").

Focus will supply the Jerusalem Pharmacies a total of 800kg of medical cannabis annually for a period of three years. The total quantity of medical cannabis to be delivered under the Oranim Pharm/Medi Plus Sales Agreement is 2,400 kilograms and the Jerusalem Pharmacies are obligated to purchase the entire quantity under the Oranim Pharm/Medi Plus Sales Agreement. The Jerusalem Pharmacies have all necessary licensing to sell medical cannabis directly to patients, and the Company expects that the Jerusalem Pharmacies will be well positioned to satisfy rising demand in Jerusalem. The total value of the Oranim Pharm/Medi Plus Sales Agreement is expected to result in approximately \$15 million in revenue.<sup>2</sup>

- d. On March 31, 2020 Focus signed a three-year definitive supply agreement (the "Way of Life/Cannation Definitive Supply Agreement") with Way of Life Ltd. and Cannation Ltd. ("Way of Life" and "Cannation", respectively, or the "Suppliers") for a total of approximately 2,600kg of medical cannabis per year, for a total of up to 7,800kg of medical cannabis over three years. All final products under the Way of Life/Cannation Definitive Supply Agreement will bear the IMCC brand and be sold to pharmacies in Israel.

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<sup>2</sup> The Company and its management believe that this estimate is reasonable as of the Company's press release dated March 30, 2020 (the "March 30 Press Release") and is based on management's then-current views, strategies, expectations, assumptions and forecasts, and was calculated using accounting policies that are generally consistent with the Company's current accounting policies. This estimate is considered a financial outlook under applicable securities laws. The estimate and any other financial outlooks or future-oriented financial information included in the March 30 Press Release was approved by management of the Company immediately prior to issuance. 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 agreement described in the March 30 Press Release 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 laws. 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 Company's control. For more information, please see "Caution Concerning Forward-Looking Statements".

## Management's Discussion and Analysis

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Way of Life is an IMC-GAP certified cultivator and is dedicating a 14,000 sq. ft. space at its facility for the cultivation of Focus' proprietary medical cannabis strains. The Way of Life/Cannation Definitive Supply Agreement with Cannation calls for a 54,000 square foot space for the cultivation of Focus' proprietary medical cannabis strains, with the option to increase the dedicated space by an additional 108,000 square feet, and is contingent on Cannation receiving IMC-GAP certification by August 22, 2020.

The Suppliers will obtain access to Focus's unique and proprietary genetics for the purpose of delivering products under the Way of Life/Cannation Supply Agreement, but the genetics will remain the exclusive property of Focus. The Suppliers may not sell, transfer or perform research with the genetics it accesses through this Way of Life/Cannation Supply Agreement without consent from Focus. Under the Way of Life/Cannation Supply Agreement, Focus will have access to the Suppliers' growing facilities to utilize its know-how and 10 years' experience to monitor the entire growing process.

- e. On April 6, 2020, Focus signed a binding two-year sales agreement for the sale of IMCC-branded medical cannabis (the "Shor Tabachnik Sales Agreement") with Shor Tabachnik Pharmacies (the "Shor Tabachnik Pharmacies"). According to the Shor Tabachnik Sales Agreement, Focus will supply Shor Tabachnik with 1,000kg of IMCC-branded medical cannabis products annually through the duration of the Shor Tabachnik Sales Agreement. The total value of the Shor Tabachnik Sales Agreement is expected to result in approximately \$12 million in revenue.<sup>2</sup>

- f. On April 13, 2020, Focus signed a binding three-year agreement for the sale of 13,575kg of IMCC-branded medical cannabis products (the "Sales Agreement") to Super-Pharm (Israel) Ltd. ("Super-Pharm"), Israel's largest drugstore chain, which was founded by the Koffler family in 1978 and operates 250 pharmacies across Israel.

According to the Sales Agreement, Focus will sell Super-Pharm with a total 13,575kg of IMCC-branded medical cannabis over the next three years: 2,270kg in 2020, 4,980kg in 2021, and 6,325kg in 2022. Medical cannabis products sold under the Sales Agreement will include both dry flower and extract products. The total value of the Sales Agreement is expected to result in approximately \$80.4 million in revenue.

- g. On April 13 and 14, 2020, Focus signed two binding sales agreements for the sale of IMCC-branded medical cannabis: a three-year agreement with MaxPharm Ltd. ("Max Pharm") for total sales of up to 1,500kg (the "Max Pharm Sales Agreement"), and a one-year agreement with Panaxia Labs Israel, Ltd. ("Panaxia") (TASE:PNAX) for 1,000kg (the "Panaxia Sales Agreement").

The Panaxia Sales Agreement was signed on April 13, 2020. Under the agreement, Panaxia will have deliveries beginning in April 2020 with 1,000kg contracted for sale over the next 12 months. Panaxia will leverage its leading home delivery platform to distribute IMCC branded products. The total value of the Panaxia Sales Agreement is expected to result in approximately \$8.6 million in revenue.

The Max Pharm Sales Agreement was signed on April 14, 2020. Focus will begin making sales under the agreement in 2021, with the first 500kg to be delivered under the agreement as a binding sale. Max Pharm has an option to extend the agreement in 2022 and 2023 for an additional 500kg in each year, for a total potential volume of 1,500kg over three years. Operating one retail pharmacy in Israel, Max Pharm will also leverage its home delivery distribution to deliver medical cannabis to patients around Israel. The total value of the Max Pharm Sales Agreement is expected to result in approximately \$5.9 million in revenue.

**Management's Discussion and Analysis**

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- h. Since December 31, 2019, the outbreak of 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. In addition, global equity markets have experienced significant volatility and weakness.

To date, the COVID-19 pandemic has not had a material negative impact on the Company's results of operations. The Company, well as its distribution channels are considered essential businesses (food and drug retailers) that continue to operate during this period. However, the duration and severity of the COVID-19 pandemic is unknown at this time and the Company is unable to predict the effect should the situation continue for a prolonged period.

**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 Executive Officer ("CEO") and Chief Financial Officer ("CFO"), assessed the effectiveness of the Company's internal controls over financial reporting and concluded that as at December 31, 2019, the Company's internal control over financial reporting was effective and yet constantly seek to improve it.

During the year ended December 31, 2019, 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.

**Management's Discussion and Analysis**

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**Limitations of Disclosure Controls and Procedures and Internal Control over Financial Reporting**

The Company's management, including the CEO and CFO, 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.

**Additional Information**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

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**2019 ANNUAL REPORT**





**IM CANNABIS CORP.**  
**INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF**  
**IM CANNABIS CORP. AND ITS SUBSIDIARIES**  
**FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2019**  
**(Canadian dollars in thousands)**

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**INDEPENDENT AUDITOR'S REPORT**  
**TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF**  
**IM CANNABIS CORP.**

*Opinion*

We have audited the consolidated financial statements of IM Cannabis Corp. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

*Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Other information included in The Group's 2019 Annual Report*

Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The partner in charge of the audit resulting in this independent auditor's report is Ari Aslan.

IM CANNABIS CORP.

Tel-Aviv, Israel

April 20, 2020

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

Canadian Dollars in thousands

		December 31,	
	Note	2019	2018
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		\$ 13,926	\$ 7,591
Trade receivables	7	1,810	14
Advances to suppliers	1b	2,565	-
Other accounts receivable	8	516	444
Biological assets	9	52	89
Inventories	10	5,422	5,476
		24,291	13,614
NON-CURRENT ASSETS:			
Property, plant and equipment, net	11	3,392	1,073
Investments	15c	912	-
Right-of-use assets, net	12	1,023	-
Deferred tax assets	17	89	307
Intangible assets, net	6	889	-
Goodwill	6	298	-
		6,603	1,380
Total assets		\$ 30,894	\$ 14,994

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

Canadian Dollars in thousands

		<b>December 31,</b>	
	<b>Note</b>	<b>2019</b>	<b>2018</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Trade payables		\$ 992	\$ 609
Other accounts payable and accrued expenses	14	1,458	698
Current maturities of lease liabilities	12	159	-
		<u>2,609</u>	<u>1,307</u>
<b>NON-CURRENT LIABILITIES:</b>			
Deferred tax liability, net	17	826	847
Warrants measured at fair value	15	197	1,053
Employee benefit liabilities, net	13	262	176
Lease liabilities	12	891	-
		<u>2,176</u>	<u>2,076</u>
Total liabilities		<u>4,785</u>	<u>3,383</u>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:</b>			
	18		
Share capital and premium		25,947	7,099
Translation reserve		309	43
Reserve from share-based payment transactions		2,677	-
Retained earnings (accumulated deficit)		(4,273)	3,040
Total equity attributable to shareholders of the Company		<u>24,660</u>	<u>10,182</u>
Non-controlling interests		1,449	1,429
Total equity		<u>26,109</u>	<u>11,611</u>
Total equity and liabilities		<u>\$ 30,894</u>	<u>\$ 14,994</u>

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

April 20, 2020	"Marc Lustig"	"Oren Shuster"	"Shai Shemesh"
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, except per share data

	Note	Year ended December 31,	
		2019	2018
Revenues		\$ 9,074	\$ 5,197
Cost of revenues		4,761	1,775
<b>Gross profit before fair value adjustments</b>		<b>4,313</b>	<b>3,422</b>
Fair value adjustments:			
Unrealized change in fair value of biological assets		5,990	4,373
Realized fair value adjustments on inventory sold in the period		(6,374)	(1,599)
Total fair value adjustments		(384)	2,774
<b>Gross profit after fair value adjustments</b>		<b>3,929</b>	<b>6,196</b>
General and administrative expenses		6,422	2,520
Selling and marketing expenses		1,240	510
Research and development expenses		233	83
Listing cost of reverse acquisition	5	3,632	-
Share-based compensation	18	2,677	-
Total operating expenses		14,204	3,113
<b>Operating profit (loss)</b>		<b>(10,275)</b>	<b>3,083</b>
Finance income	15(a)(b)	3,653	439
Finance expense		(707)	(154)
Finance income, net		2,946	285
Income (loss) before income taxes		(7,329)	3,368
Income tax expense, net	17	90	741
<b>Net income (loss)</b>		<b>(7,419)</b>	<b>2,627</b>
Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:			
Re-measurement gain (loss) on defined benefit plans		(29)	57
Exchange differences on translation to presentation currency		333	31
Total other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods		304	88
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:			
Adjustments arising from translating financial statements of foreign operation		(14)	-
Total other comprehensive income that will be reclassified to profit or loss in subsequent periods		(14)	-
Total other comprehensive income		290	88
Total comprehensive income (loss)		<u>\$ (7,129)</u>	<u>\$ 2,715</u>

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**
**Canadian Dollars in thousands, except per share data**

	<b>Note</b>	<b>Year ended December 31,</b>	
		<b>2019</b>	<b>2018</b>
Net income (loss) attributable to:			
Equity holders of the Company		(7,292 )	1,683
Non-controlling interests		(127)	944
		<u>\$ (7,419 )</u>	<u>\$ 2,627</u>
Total comprehensive income (loss) attributable to:			
Equity holders of the Company		(7,047 )	1,753
Non-controlling interests		(82)	962
		<u>\$ (7,129 )</u>	<u>\$ 2,715</u>
Net income (loss) per share attributable to equity holders of the Company	20		
Earnings per share (in CAD)			
Basic and Diluted		<u>\$ (0.06)</u>	<u>\$ 0.02</u>

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



## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Canadian Dollars in thousands

	Attributable to equity holders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Reserve from share-based payment transactions	Translation reserve	Retained earnings (accumulated deficit)	Total		
Balance as of January 1, 2018	\$ *)	\$ *)	\$ -	\$ 15	\$ 1,315	\$ 1,330	\$ 467	\$ 1,797
Issue of share capital, net of issuance cost of \$751	45	7,054	-	-	-	7,099	-	7,099
Net income	-	-	-	-	1,683	1,683	944	2,627
Other comprehensive income	-	-	-	28	42	70	18	88
Total comprehensive income	-	-	-	28	1,725	1,753	962	2,715
Balance as of December 31, 2018	\$ 45	\$ 7,054	\$ -	\$ 43	\$ 3,040	\$ 10,182	\$ 1,429	\$ 11,611
Issuance of share capital, net of issuance cost of \$2,913 (see Note 15)	-	15,665	-	-	-	15,665	-	15,665
Issuance of share capital on the reverse acquisition date (see Note 5)	-	3,183	-	-	-	3,183	-	3,183
Share based compensation	-	-	2,677	-	-	2,677	-	2,677
Share based compensation of subsidiary (see Note 6)	-	-	-	-	-	-	102	102
Net loss	-	-	-	-	(7,292)	(7,292)	(127)	(7,419)
Other comprehensive income (loss)	-	-	-	266	(21)	245	45	290
Total comprehensive income (loss)	-	-	-	266	(7,313)	(7,047)	(82)	(7,129)
Balance as of December 31, 2019	\$ 45	\$ 25,902	\$ 2,677	\$ 309	\$ (4,273)	\$ 24,660	\$ 1,449	\$ 26,109

\*) Represents an amount of less than \$1.

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,	
	2019	2018
<u>Cash provided by (used in) operating activities:</u>		
Net income (loss) for the year	\$ (7,419)	\$ 2,627
Adjustments for non-cash items:		
Unrealized gain on changes in fair value of biological assets	(5,990)	(4,373)
Fair value adjustment on sale of inventory	6,374	1,599
Fair value adjustment on warrants measured at fair value	(3,653)	(369)
Depreciation of property, plant and equipment	340	180
Amortization of intangible assets	125	-
Depreciation of right-of-use assets	136	-
Listing cost of reverse acquisition	3,632	-
Finance income, net	707	-
Changes in employee benefit liabilities, net	46	41
Deferred tax expense (benefit), net	(95)	281
Share-based payments expenses for subsidiary	102	-
Share-based payments expenses	2,677	-
	4,401	(2,641)
Changes in non-cash working capital:		
Increase in trade receivables, net	(1,631)	(14)
Decrease (increase) in other accounts receivable and advances to suppliers	(2,556)	1,199
Decrease in biological assets, net of fair value adjustments	5,994	4,286
Increase in inventories, net of fair value adjustments	(5,872)	(5,590)
Increase in trade payables	795	380
Increase (decrease) in other accounts payable and accrued expenses	628	(472)
	(2,642)	(211)
Taxes paid	(299)	(206)
Net cash used in operating activities	(5,959)	(431)
<u>Cash flows from investing activities:</u>		
Purchase of property, plant and equipment	(1,547)	(729)
Acquisition of subsidiary (schedule A)	(1,316)	-
Investments	(912)	-
Net cash used in investing activities	\$ (3,775)	\$ (729)

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Canadian Dollars in thousands

	Year ended December 31,	
	2019	2018
<u>Cash provided by financing activities:</u>		
Proceeds from issuance of share capital, net of issuance costs (see Note 15b)	\$ 15,570	\$ 7,099
Proceeds from issuance of warrants measured at fair value	2,597	1,278
Repayment of lease liability	(102)	-
Repayment of lease liability interest	(63)	-
Repayment of bank loan	(951)	-
Net cash provided by financing activities	17,051	8,377
Effect of foreign exchange on cash and cash equivalents	(982)	135
Increase in cash and cash equivalents	6,335	7,352
Cash and cash equivalents at beginning of year	7,591	239
Cash and cash equivalents at end of year	<u>\$ 13,926</u>	<u>\$ 7,591</u>
<u>Supplemental disclosure of non-cash activities:</u>		
Right-of-use asset recognized with corresponding lease liability	<u>\$ (396)</u>	<u>\$ -</u>

Schedule A - Acquisition of a subsidiary:

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

Working capital (excluding cash and cash equivalents)	\$ 166
Bank credit	(321)
Bank loan	(624)
Property, plant and equipment	1,074
Intangible assets	996
Goodwill	292
Deferred tax liability	(267)
	<u>\$ 1,316</u>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Canadian Dollars in thousands, except share and per share data

## NOTE 1:- GENERAL

a. Corporate information:

In November 2018, Navasota Resources Inc. ("Navasota") and IMC Holdings Ltd. ("IMC") entered into a business combination agreement pursuant to which Navasota would issue its Ordinary shares to the shareholders of IMC in consideration for the purchase of the entire share capital of IMC. As additionally described in Note 5, this constituted a Reverse Takeover Transaction of Navasota by the shareholders of IMC (the "RTO").

On October 11, 2019, upon completion of the RTO, Navasota changed its name to IM Cannabis Corp. (the "Company" or "IMCC") and commenced trading on the Canadian Securities Exchange ("CSE") under the ticker symbol "IMCC". IMCC's main office is located in Kibutz Gili-Yam, Israel.

IMC 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 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], 5733 - 1973 (the "Dangerous Drugs Ordinance"), and the related regulations issued by IMCA (see Note 1b).

The Company, its subsidiaries and Focus (the "Group") operate in one reporting segment. The revenues of the Group are generated from sales of medical cannabis products to customers in Israel. 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.

b. Strategic Developments:

1. On February 20, 2019, IMC established IMC - International Medical Cannabis Portugal Unipessoal Lda., a 100% owned subsidiary aimed at obtaining a license to cultivate medical cannabis in Portugal.
2. On March 15, 2019, IMC acquired Adjupharm GmbH ("Adjupharm"), incorporated in Germany, a licensed GMP producer with wholesale, narcotics handling and import licenses for medical cannabis. As part of its global expansion and penetration plan into the European market, IMC acquired 100% of Adjupharm's issued and outstanding shares (see Note 6).
3. On April 2, 2019, IMC undertook a restructuring process (the "IMC Restructuring") to divest its holdings in Focus, IMC Pharma 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

## NOTE 1:- GENERAL (Cont.)

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.

4. On May 21, 2019, IMC entered into a supply agreement with an international pharmaceutical company based in Spain (the "Spanish company" or "Spanish cultivator"). The Spanish company specializes in research and development, breeding, cultivation, extraction, purification and preparation of Narcotic Raw Materials ("NRMs") and Active Pharmaceutical Ingredients ("APIs") and holds the necessary Spanish regulatory approvals to operate in this field.

Under the agreement the Spanish cultivator shall work in accordance with IMC's strains, know-how and quality procedures. The products will be distributed to the German market as well as other European markets through the Company's wholly-owned EU GMP and distribution facility of Adjupharm GmbH. As of December 31, 2019, the Company paid, according to the agreement, an advance to the Spanish cultivator for the purchase of products in the total amount of \$2,565.

c. Approval of consolidated financial statements:

These consolidated financial statements of the Group were authorized for issue by the board of directors on April 20, 2020.

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	- United States Dollar
EURO or €	- Euro

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

## 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").

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.

As of December 31, 2019 and 2018, major subsidiaries over which the Company has control, directly or indirectly, include:

Subsidiaries	Percentage ownership	
	2019	2018
I.M.C. Holdings Ltd ("IMC")	100%	100%
Focus Medical Herbs Ltd. ("Focus") *)	74 %	74 %
I.M.C Pharma Ltd. ("IMC Pharma")	100%	100%
I.M.C. Farms Israel Ltd. ("IMC Farms")	100%	100%
I.M.C.C Ltd. ("I.M.C.C")	100%	100%
I.M.C Ventures Ltd. ("IMC Ventures")	75%	75%
I.M.C - International Medical Cannabis Portugal Unipessoal Lda	100%	-
Adjupharm GmbH ("Adjupharm")	95%	-

\*) See also Note 1b(3).

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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

## NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Canadian Dollars in thousands, except share and per share data

## 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 New Israeli Shekel ("NIS").

The Group determines the functional currency of each Group entity.

The financial statements are presented in Canadian dollars ("CAD"), the presentation currency, since the Company believes that financial statements in CAD provide more relevant information to the investors and users of the financial statements who are located outside of Israel.

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.

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.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Canadian Dollars in thousands, except share and per share data

## NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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).

The fair value of financial instruments measured at amortized cost (trade and other receivables and trade and other payables) approximates their carrying amounts due to their short-term maturities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Canadian Dollars in thousands, except share and per share data

## NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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 9.

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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

## NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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	7-25	20
Greenhouse Structure	12.5	12.5
Motor vehicles	15	15
Computer, Software & Equipment	20-33	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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Canadian Dollars in thousands, except share and per share data

## NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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. 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.

l. Revenue recognition:

The IASB replaced IAS 18, Revenue, in its entirety with IFRS 15, Revenue from Contracts with Customers. The Group adopted IFRS 15 using the modified retrospective approach where the cumulative impact of adoption is recognized in retained earnings as of January 1, 2018 and comparatives will not be restated. The adoption of this new standard had no material impact on the amounts recognized in the consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Canadian Dollars in thousands, except share and per share data

## NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue, at a 'point in time' or 'over time', the assessment of which requires judgment. The model features the following contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized:

1. Identifying the contract with a customer;
2. Identifying the performance obligations in the contract;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations in the contract; and
5. Recognizing revenue when or as the Company satisfies the performance obligations.

Under IFRS 15, revenue from the sale of cannabis 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, the timing of which is consistent with the Group's previous revenue recognition policy under IAS 18.

m. Leases:

As described in Note 2v, the Company adopted IFRS 16, "Leases" (the "Standard"), commencing from January 1, 2019, using the modified retrospective approach (without restatement of comparative data).

According to the Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a fixed period in exchange for consideration.

For leases in which the Company is the lessee, the Company 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 Company 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 Company 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.

Leases which entitle employees to a company car as part of their employment terms are accounted for as employee benefits in accordance with the provisions of IAS 19 and not as subleases.

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 Company's incremental borrowing rate. After the commencement date, the Company 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 - 11.5 years; Motor vehicles - 3 years.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Canadian Dollars in thousands, except share and per share data

## NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

*Variable lease payments that depend on an index:*

On the commencement date, the Company uses the index rate prevailing on the commencement date to calculate the future lease payments.

For leases in which the Company 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 Company 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. An intangible asset arising from a development project or from the development phase of an internal project is recognized if the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale; the Group's intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; how the intangible asset will generate future economic benefits; the availability of adequate technical, financial and other resources to complete the intangible asset; and the ability to measure reliably the respective amount of expenses that should be capitalized to an asset during its development.

The asset is measured at cost less any accumulated amortization and any accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. The asset is amortized over its useful life. Testing of impairment is performed annually over the period of the development project.

o. Financial instruments:

In July 2014, the IASB issued the final and complete version of IFRS 9, Financial Instruments, which replaces IAS 39, Financial Instruments: Recognition and Measurement.

The Group elected to early adopt the provisions of the IFRS 9 on January 1, 2017 and apply all of its requirements from that date.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

## NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Canadian Dollars in thousands, except share and per share data

## NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 Company 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.

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.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Canadian Dollars in thousands, except share and per share data

## NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Canadian Dollars in thousands, except share and per share data

## NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

## NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

## t. Earnings per share:

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted number of Ordinary Shares outstanding during the period.

Potential Ordinary Shares are included in the computation of diluted earnings per share when their conversion decreases earnings per share from continuing operations. Potential Ordinary 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.

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
Licenses	6
Other intangibles	6-9

The amortization expenses for the year ended December 31, 2019, amounted to \$125.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

## NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- v. Changes in accounting policies - initial application of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards:

*Initial application of IFRS 16, "Leases":*

In January 2016, the IASB issued IFRS 16, "Leases" (the "Standard") which provides guidance on the recognition, measurement, presentation and disclosure of leases, and supersedes IAS 17. The Standard has been applied for the first time in these financial statements. The Company elected to apply the provisions of the Standard using the modified retrospective method.

The principal effects of the initial application of the Standard are in respect of existing lease contracts in which the Company is the lessee. According to the Standard, excluding certain exceptions, the Company recognizes a lease liability and a corresponding right-of-use asset for each lease in which it is the lessee. This accounting treatment is different than the accounting treatment applied under IAS 17 according to which lease payments in respect of leases contracts for which substantially all the risks and rewards incidental to ownership of the underlying asset are not transferred to the lessee are recognized in profit or loss on a straight-line basis over the lease term.

1. Effects of the initial application of the Standard on the Company's financial statements as of January 1, 2019:

	According to the previous accounting policy	Change	As presented according to IFRS 16
<b>As of January 1, 2019:</b>			
Non-current assets:			
Right-of-use assets	\$ -	777	\$ 777
Current liabilities:			
Current maturity of lease liabilities	\$ -	42	\$ 42
Non-current liabilities:			
Lease liabilities	\$ -	735	\$ 735

2. A weighted average of the Company's incremental borrowing rate of interest of 6.7% (NIS denominated operating lease agreement) was used to discount future lease payments in the calculation of the lease liabilities on the date of initial application of the Standard.
3. Reconciliation of total commitment for future minimum lease payments as disclosed in Note 13 to the annual financial statements as of December 31, 2018, to the lease liability as of January 1, 2019:

	January 1, 2019
Total undiscounted future minimum lease payments for non-cancellable leases as per IAS 17, according to the financial statements as of December 31, 2018	\$ 1,104
Effect of discount of future lease payments at the Company's incremental interest rate on initial date of application	(327)
Total lease liabilities as per IFRS 16 at January 1, 2019	\$ 777

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Canadian Dollars in thousands, except share and per share data

## NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

4. Practical expedients applied in the initial application of the Standard:
- The Company elected not to reassess, based on the principles in the Standard, whether contracts are or contain a lease, and instead continued to classify contracts as leases that were previously identified as leases under IAS 17.
  - The Company elected to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

*IFRIC 23, "Uncertainty over Income Tax Treatments":*

In June 2017, the IASB issued IFRIC 23, "Uncertainty over Income Tax Treatments" ("the Interpretation"). The Interpretation clarifies the accounting for recognition and measurement of assets or liabilities in accordance with the provisions of IAS 12, "Income Taxes", in situations of uncertainty involving income taxes. The Interpretation provides guidance on considering whether some tax treatments should be considered collectively, examination by the tax authorities, measurement of the effects of uncertainty involving income taxes on the financial statements and accounting for changes in facts and circumstances in respect of the uncertainty.

The Interpretation has been initially applied in these financial statements.

The Company has elected to apply the Interpretation retrospectively, without restating comparative data, by recording the cumulative effect as of the date of initial application in the opening balance of retained earnings.

The initial application of the Interpretation did not have a material effect on the Company's financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Canadian Dollars in thousands, except share and per share data

**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 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. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Canadian Dollars in thousands, except share and per share data

## NOTE 3:- SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (Cont.)

*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 10 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Canadian Dollars in thousands, except share and per share data

**NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION***IFRS 3, "Business Combinations":*

In October 2018, the IASB issued an amendment to the definition of a "business" in IFRS 3, "Business Combinations" ("the Amendment"). The 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 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 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.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Canadian Dollars in thousands, except share and per share data

**NOTE 5:- REVERSE TAKEOVER**

As described in Note 1, in November 2018 Navasota and IMC entered into a business combination agreement pursuant to which Navasota would issue its Ordinary shares to the shareholders of IMC in consideration for the purchase of the entire share capital of IMC. As described below, this constituted a Reverse Takeover transaction of Navasota by the shareholders of IMC (the "RTO"). Subsequent to the completion of the RTO in October 2019, Navasota changed its name to IM Cannabis Corp. (the "Resulting Issuer").

In connection with and as a condition precedent for the RTO, on August 29, 2019, Navasota and IMC announced the completion of a private placement offering of 19,460 ,527 subscription receipts (each a "Subscription Receipt") of a wholly owned subsidiary of Navasota ("Finco") at a price of \$1.05 per Subscription Receipt (after giving effect to a contemplated share split by IMC of 1:10) for aggregate gross proceeds of \$20,433 (the "Financing"). Upon the satisfaction of all of the conditions precedent to the completion of the RTO, each Subscription Receipt was exchanged for one unit of Finco (a "Finco Unit") with each Finco Unit being comprised of one (1) common share of Finco (a "Finco Share") and one-half (1/2) of one (1) common share purchase warrant of Finco (a "Finco Warrant"). Each whole Finco Warrant was exercisable for one Finco Share at an exercise price of \$1.30 (after giving effect to the contemplated share split of 1:10) for a period of 24 months following the closing of the RTO. Upon closing of the RTO, the Finco Shares and Finco Warrants were exchanged for post-Consolidation Resulting Issuer shares and Resulting Issuer warrants on economically equivalent terms on a 1:1 basis (see Note 15b).

On October 11, 2019, upon completion of the RTO, the holders of IMC Ordinary shares hold approximately 84.28% of the issued and outstanding Resulting Issuer shares, holders of Subscription Receipts hold approximately 13.35% of the Resulting Issuer shares and current Navasota shareholders hold 2.37% of the Resulting Issuer shares, in each case, on a non-diluted basis.

Since the holders of IMC shares obtained the largest portion of the voting rights, and thus obtained control, of the combined entities, the transaction is treated as a reverse takeover in which IMC (the legal subsidiary) is considered the acquirer and Navasota (the legal parent) is considered the acquiree for financial accounting and reporting purposes. Accordingly, these consolidated financial statements reflect a continuation of the financial position, operating results and cash flows of IMC and a re-capitalization of the equity of IMC.

As Navasota had no business activities and its net assets were immaterial, the acquisition of Navasota by IMC constitutes a reverse asset acquisition. As a result of this reverse asset acquisition, a listing expense of \$3,632 has been recorded to reflect the fair value of the IMC shares deemed to have been issued to the Navasota shareholders, in addition to the net liabilities of Navasota amounting to \$249 on the date of the reverse acquisition.

The fair value of the Finco Units issued to the Navasota shareholders under reverse takeover accounting is \$3,383 for an aggregate of 3,455,266 Finco Shares and 756,713 Finco Warrants. The fair value per unit is based on the issue price paid for the Finco Units as described above.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

## NOTE 6:- BUSINESS COMBINATIONS

On March 15, 2019, IMC acquired Adjupharm GmbH ("Adjupharm"), a licensed GMP producer with wholesale, narcotics handling and import licenses for medical cannabis. As part of its global expansion and penetration plan into the European market, IMC acquired 100% of Adjupharm's issued and outstanding shares for €924 thousand (\$1,400) paid in cash.

The Company recognized the fair value of the assets acquired and liabilities assumed in the business combination based on a valuation prepared by an external valuation specialist.

The fair value of the identifiable assets acquired and liabilities assumed of Adjupharm on the acquisition date:

	<u>Fair value</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 84
Trade and other receivables	70
Inventories	224
Property, plant and equipment	1,074
Intangible assets	996
Total identifiable assets	<u>2,448</u>
<u>Liabilities</u>	
Bank credit	(321)
Trade payables	(84)
Other payables	(44)
Bank loan	(624)
Deferred tax	(267)
Total identifiable liabilities	<u>(1,340)</u>
Total identifiable assets, net	1,108
Goodwill arising on acquisition	292
Total purchase price	<u>\$ 1,400</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Canadian Dollars in thousands, except share and per share data

Acquisition costs that are directly attributable to the transaction of approximately \$104 were recorded in profit or loss.

**NOTE 6:- BUSINESS COMBINATIONS (Cont.)**

As part of the acquisition, the Company agreed to either (i) arrange for the release of the security provided by the sellers for the bank loan and bank credit of Adjupharm in the amount of €680 thousand (approximately \$1,026) or (2) repay the aforementioned bank loan and bank credit. In that connection, the Company deposited €720 thousand (approximately \$1,090) in escrow (restricted cash) to secure the Company's aforementioned obligation. During the three-months period ended June 30, 2019, the funds in escrow were used to repay the bank loan and bank credit.

*Cash outflow/inflow on the acquisition:*

	<b>CAD in thousands</b>
Cash and cash equivalents acquired with the acquiree at the acquisition date	\$ 84
Cash paid	(1,400)
Net cash outflow	<u>\$ (1,316)</u>

From the acquisition date, and if the business combination had taken place at the beginning of the year, Adjupharm's results of operations (i.e., net loss and revenues) were immaterial to the consolidated net loss and consolidated revenues.

The goodwill arising on acquisition is attributed to the expected benefits from the synergies of the combination of the activities of the Company and Adjupharm.

The goodwill recognized is not expected to be deductible for income tax purposes.

On March 21, 2019, following the acquisition, the Company granted to Adjupharm's CEO 5% of Adjupharm's Ordinary shares. As a result, the Company recorded an expense in the amount of \$63. In addition, Adjupharm's CEO was granted with restricted shares representing 4.98% of the Adjupharm's Ordinary shares, of which, 2.5% and 2.48% shall vest on March 1, 2020 and 2021, respectively, provided Adjupharm's CEO is employed as CEO in each of the respective vesting dates. The fair value of the restricted shares on the date of grant was \$63.

The share-based payment expenses of subsidiary for the year ended December 31, 2019 and 2018, amounted to \$102 and \$ nil, respectively.

**NOTE 7:- TRADE RECEIVABLES**

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Wholesalers and pharmacies	\$ 1,810	\$ 14

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. As of December 31, 2019 and 2018, there were no material past-due receivables.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

## NOTE 8:- OTHER ACCOUNTS RECEIVABLE

	December 31,	
	2019	2018
Prepaid expenses	266	6
Government authorities	187	67
Related parties (see Note 21)	63	30
Credit cards receivables	-	291
Other receivables	-	50
Other accounts receivable	\$ 516	\$ 444

## NOTE 9:- 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 January 1, 2018	\$ -
Production costs capitalized	1,037
Changes in fair value less cost to sell due to biological transformation	4,373
Transferred to inventory upon harvest	(5,322)
Foreign exchange translation	1
Balance at December 31, 2018	\$ 89
Production costs capitalized	1,108
Changes in fair value less cost to sell due to biological transformation	5,990
Transferred to inventory upon harvest	(7,137)
Foreign exchange translation	2
Balance at December 31, 2019	\$ 52

As of December 31, 2019, the weighted average fair value less cost to sell was \$266 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

## NOTE 9:- 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,	
	2019	2018	2019	2018
	In thousands			
Average selling price per gram of dried cannabis (in CAD)	\$ 3.39	\$ 2.61	\$ 6.2	\$ 10.7
Average post-harvest costs per gram of dried cannabis (in CAD)	\$ 0.73	\$ 0.44	\$ 0.9	\$ 1.8
Attrition rate	6%	0%	\$ 0.4	\$ 8.9
Average yield per plant (in grams)	94	40	\$ 5.2	\$ 8.9
Average stage of growth	5%	37%	\$ 5.2	\$ 8.9

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 10:- INVENTORIES

	December 31, 2019		
	Capitalized costs	Fair valuation adjustment	Carrying value
Work in progress			
Bulk cannabis	\$ 693	\$ 1,596	\$ 2,289
Finished goods			
Packaged dried cannabis	922	1,849	2,771
Other	362	-	362
Balance as at December 31, 2019	<u>\$ 1,977</u>	<u>\$ 3,445</u>	<u>\$ 5,422</u>

	December 31, 2018		
	Capitalized costs	Fair valuation adjustment	Carrying value
Work in progress			
Bulk cannabis	\$ 320	\$ 685	\$ 1,005
Finished goods			
Packaged dried cannabis	1,455	2,965	4,420
Cigarettes	16	32	48
Cannabis oil	3	-	3
Balance as at December 31, 2018	<u>\$ 1,794</u>	<u>\$ 3,682</u>	<u>\$ 5,476</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

## NOTE 10:- INVENTORIES (Cont.)

During the years ended December 31, 2019 and 2018, inventory expensed to cost of goods sold was \$1,135 and \$3,374, respectively, which included \$6,374 and \$1,599 of non-cash expense, respectively, related to the changes in fair value of inventory sold.

Cost of revenues in 2019 and 2018 also include production overhead not allocated to costs of inventories produced and recognized as an expense as incurred.

## NOTE 11:- PROPERTY, PLANT AND EQUIPMENT, NET

	Buildings and Improvements	Greenhouse Production Equipment	Greenhouse Structure	Computer, Software & Equipment	Motor Vehicles	Total
<u>Cost:</u>						
Balance at January 1, 2018	\$ -	\$ 478	\$ 371	\$ -	\$ 18	\$ 867
Additions during the year	77	338	309	5	-	729
Foreign currency translation	1	4	3	-	-	8
Balance, December 31, 2018	78	820	683	5	18	1,604
Additions during the year	577	679	174	167	-	1,597
Additions from business combination	1,074	-	-	-	-	1,074
Foreign currency translation	(54)	35	27	2	1	11
Balance December 31, 2019	1,675	1,534	884	174	19	4,286
<u>Accumulated Depreciation:</u>						
Balance at January 1, 2018	-	239	107	-	2	348
Depreciation during the year	2	97	78	1	2	180
Foreign currency translation	-	2	1	-	-	3
Balance, December 31, 2018	2	338	186	1	4	531
Depreciation during the year	44	181	87	25	3	340
Foreign currency translation	-	15	7	-	1	23
Balance, December 31, 2019	46	534	280	26	8	894
<u>Net Book Value:</u>						
December 31, 2018	\$ 76	\$ 482	\$ 497	\$ 4	\$ 14	\$ 1,073
December 31, 2019	\$ 1,631	\$ 1,048	\$ 604	\$ 98	\$ 11	\$ 3,392

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

## NOTE 12:- RIGHT-OF-USE ASSETS

	Land and buildings (*)	Motor vehicles	Total
<b>Cost:</b>			
Balance as of January 1, 2019	\$ 777	\$ -	\$ 777
Additions during the year:			
New leases	167	229	396
Adjustments arising from translating financial statements from functional currency to presentation currency	11	2	13
Disposals during the year:			
Termination of leases	-	(36)	(36)
<b>Balance as of December 31, 2019</b>	<b>955</b>	<b>195</b>	<b>1,150</b>
<b>Accumulated depreciation:</b>			
Balance as of January 1, 2019	-	-	-
Additions during the year:			
Depreciation and amortization	79	57	136
Adjustments arising from translating financial statements from functional currency to presentation currency	1	-	1
Disposals during the year:			
Termination of leases	-	(10)	(10)
<b>Balance as of December 31, 2019</b>	<b>80</b>	<b>47</b>	<b>127</b>
<b>Depreciated cost at December 31, 2019</b>	<b>\$ 875</b>	<b>\$ 148</b>	<b>\$ 1,023</b>

(\*) On August, 2010, Focus signed an agreement with a farmer, located in the south of Israel (the "Farmer"), according to which Focus and the Farmer will jointly operate an area of 7,000 square meters (the "facility") for the cultivation and processing of medical cannabis (the "Venture"). For the purpose of this venture, the parties will operate in the framework of Focus. As part of the agreement, 26% of the share capital of Focus was allocated to the Farmer.

On December 1, 2016, Focus signed with the Farmer an additional agreement, according to which Focus will operate an additional area of 6,000 square meters (the "facility") for the cultivation and processing of medical cannabis, under the framework of Focus.

On October 29, 2019, Focus signed with the Farmer an additional agreement, according to which Focus will operate an additional area of 7,500 square meters (the "facility") for the cultivation and processing of medical cannabis, under the framework of Focus.

## 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:

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

## NOTE 13:- EMPLOYEE BENEFIT ASSETS AND LIABILITIES (Cont.)

1. 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.

2. Expenses recognized in the consolidated statements of profit or loss and other comprehensive income:

	<u>Year ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Current service cost	\$ 134	\$ 79
Interest expenses	9	5
Total employee benefit expenses	<u>143</u>	<u>84</u>
Interest income on plan assets	<u>\$ 4</u>	<u>\$ 3</u>

3. The defined benefit liability (asset), net:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Defined benefit obligation	\$ 390	\$ 261
Fair value of plan assets	(128)	(85)
Net defined benefit liability	<u>\$ 262</u>	<u>\$ 176</u>

4. Changes in the present value of defined benefit liabilities:

	<u>2019</u>	<u>2018</u>
Balance at January 1,	\$ 261	\$ 267
Current service cost	134	79
Interest expenses	9	5
Benefits paid	(54)	(26)
Re-measurement loss (gain) on defined benefit plans	29	(68)
Foreign currency translation effect	11	4
Balance at December 31,	<u>\$ 390</u>	<u>\$ 261</u>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

## NOTE 13:- EMPLOYEE BENEFIT ASSETS AND LIABILITIES (Cont.)

5. Changes in the fair value of plan assets:

Plan assets comprise assets held by a long-term employee benefit funds and qualifying insurance policies.

	2019	2018
Balance at January 1,	\$ 85	\$ 75
Interest income	4	3
Return, net of interest income - remeasurements losses	(1)	(11)
Benefits paid	(54)	(26)
Amounts deposited	92	43
Foreign currency translation effect	2	1
Balance at December 31,	<u>\$ 128</u>	<u>\$ 85</u>

6. The principal assumptions underlying the defined benefit plan

	2019	2018
	%	
Discount rate	2.87%	3.94%
Salary growth	3.24%	3.59%

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,	
	2019	2018
Accrued expenses	\$ 597	\$ 151
Employees and payroll accruals	230	150
Government authorities	450	351
Other payables	181	46
	\$ 1,458	\$ 698

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

## NOTE 15:- FINANCIAL INSTRUMENTS

The carrying values of the financial instruments as of December 31, 2019, are summarized in the following table:

	Amortized cost	FVTPL	Total	Note
<b>Financial Assets</b>				
Cash and cash equivalents	\$ 13,926	\$ -	\$ 13,926	
Trade receivables	1,810	-	1,810	
Investments	-	912	912	c
Other accounts receivables	516	-	516	
<b>Financial Liabilities</b>				
Trade payables	992	-	992	
Other account payables and accrued expenses	1,458	-	1,458	
Warrants	-	197	197	a, b
Lease liabilities	\$ 1,050	-	\$ 1,050	

- a. In May and June 2018, IMC completed a series of private placements pursuant to which it sold an aggregate of 2,282,749 units (the "Units") at \$4.00 per Unit for gross proceeds of \$9,131 (the "2018 Private Placements"). Each Unit consisted of one IMC Ordinary Share and one-half of one IMC Warrant (the "2018 Warrants"), with each whole 2018 Warrant exercisable for one IMC Ordinary Share at an exercise price of \$5.00 for 24 months following the date of issuance. The gross proceeds amounted to \$9,131 and aggregate net proceeds to the Company from the 2018 Private Placement, after deducting the Placement Agents' (the "Agents") fees and other issuance expenses of \$874, were \$8,257.

The Warrants included in each Unit were determined to be a financial derivative and accordingly were classified as financial liability measured at fair value through profit or loss. Accordingly, the Company allocated the gross proceeds received to the securities issued in the Unit, such that proceeds allocated to the Warrants component based on their fair value at the date of the placements amounted to \$1,278 and proceeds allocated to the Ordinary Share were determined to be the residual amount of \$7,853.

In addition, IMC granted 128,652 Compensation Warrants (the "2018 Compensation Warrants") to the Agents in the same terms as described above.

Issuance expenses in the amount of \$874 were allocated as follows: An amount of \$123 allocated to the 2018 Warrants was expensed in finance expenses in the consolidated statement of profit or loss and other comprehensive income and an amount of \$751 was allocated to the Ordinary shares and recorded as a reduction of share premium.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

## NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

The fair value of the 2018 Warrants is categorized within Level 3 of the fair value hierarchy. The fair value was measured using the Black & Scholes model with the following key assumptions:

	December 31, 2019	December 31, 2018	Sensitivity
Expected volatility	64%	75%	Increase (decrease) in key assumptions would result in increase (decrease) in fair value.
Expected life (in years)	0.45	1.45	
Risk-free interest rate	1.76%	1.82%	Increase (decrease) in key assumptions would result in decrease (increase) in fair value.
Expected dividend yield	0%	0%	
Fair value:			
Per Warrant (Canadian Dollar)	\$ 0.02	\$ 0.82	
Total Warrants (Canadian Dollar in thousands)	\$ 197	\$ 1,053	

As of December 31, 2019, and 2018, there were 11,413,750 (after the effect of the split 1:10), 2018 Warrants outstanding, with fair value in the amount of \$197 and \$1,053, respectively. As a result, for the year ended December 31, 2019 and 2018, the Company recognized a revaluation gain of \$856 and \$369, respectively, in the consolidated statement of profit or loss and other comprehensive income, which unrealized gain is included in finance income.

- b. In August 2019, IMC completed a series of private placements pursuant to which it sold an aggregate of 19,460,527 units (the "Units") at \$1.05 per Unit for gross proceeds of \$20,433 (the "2019 Private Placements"). Each Unit consisted of one IMC Ordinary Share and one-half of one IMC Warrant (the "2019 Warrants"), with each whole 2019 Warrant exercisable for one IMC Ordinary Share at an exercise price of \$1.3 for 24 months following the date of issuance. The gross proceeds amounted to \$20,433 and aggregate net proceeds to the Company from the 2019 Private Placement, after deducting the Placement Agents' (the "Agents") cash fees and other issuance expenses of \$2,596, amounted to \$17,837.

The Warrants included in each Unit were determined to be a financial derivative and accordingly were classified as financial liability measured at fair value through profit or loss. Accordingly, the Company allocated the gross proceeds received to the securities issued in the Unit, such that proceeds allocated to the Warrants component based on their fair value on the date of the placements amounted to \$2,597 and proceeds allocated to the Ordinary Share were determined to be the residual amount of \$17,836.

In addition, IMC granted to the Agents options to acquire 1,199,326 Compensation units (the "2019 Compensation Units") at an exercise price of \$1.05 per unit. Each 2019 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 for 36 months following the issuance.

Issuance expenses in the amount of \$3,337 (including the FV of the 2019 Compensation Units amounting to \$741) were allocated as follows: An amount of \$424 allocated to the 2019 Warrants was expensed in finance expense in the consolidated statement of profit or loss and other comprehensive income and an amount of \$2,913 was allocated to the Ordinary Shares and recorded as a reduction of share premium.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

## NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

As of December 31, 2019, there were 9,730,264 2019 Warrants outstanding from the 2019 Private Placements, and the Company re-measured the 2019 Warrants, according to their trading price in the market, in the amount of \$ nil. As a result, for the year ended December 31, 2019, the Company recognized a revaluation gain of \$2,597 in the consolidated statement of profit or loss and other comprehensive income, which unrealized gain is included in finance income.

In addition as of December 31, 2019, there were 756,713 2019 Warrants outstanding from the issuance to the Navasota shareholders in the RTO (see Note 5). The Company remeasured these Warrants according to their trading price in the market, in the amount of \$ nil. As a result, the Company recognized in 2019 a revaluation gain of \$200 which unrealized gain is included in finance income.

- 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, whereby the Company has committed to acquire, in a number of installments, a total of approximately 38,000 convertible preferred shares ("Preferred Shares") of Xinteza for an aggregate consideration of US\$1.7 million. The first installment in the amount of US\$ 700 thousand (\$912) for the purchase of approximately 15,700 Preferred Shares was made on the date of the SPA. The remaining installments amounting to US\$ 1 million are to be paid through June 2020.

The Preferred Shares are convertible, at the option of the Company at any time, into Ordinary shares of Xinteza at a conversion ratio of 1:1. The conversion ratio is to be adjusted pursuant to anti-dilution and other provisions of the SPA. As of the date of the SPA, the total Preferred Shares to be acquired by the Company represents, on an if-converted and fully diluted basis, approximately 25.4% of the outstanding share capital of Xinteza. The Preferred Shares have preference in dividends and other distributions and entitle their holder to certain voting and veto rights.

The investment in the Preferred Shares is accounted for as financial asset measured at fair value through profit or loss. At December 31, 2019, the fair value is identical to the amount paid upon initial recognition.

Under an exclusive license from Yeda Research & Development Company Ltd. ("Yeda"), the commercial arm of the Weizmann Institute of Science, Xinteza is developing advanced proprietary technologies related to the production of cannabinoid-based active pharmaceutical ingredients ("API") for the pharmaceutical and food industries using biosynthesis and bio-extraction technologies. Should the Company not pay the remaining installments by June 2020, Yeda has the right to cancel the license.

*Financial risk management:*

The Group has exposure to the following risks from its use of financial instruments:

*Credit risk:*

The maximum credit exposure at December 31, 2019, 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

## NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

*Liquidity risk*

As at December 31, 2019, the Group's financial liabilities consist of accounts payable and other accounts payable which has 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, 2019, management considers liquidity risk to be low.

December 31, 2019:

	Less than one year	1 to 5 years	6 to 10 years	>10 years
Lease liabilities	\$ 229	\$ 566	\$ 553	\$ 46

The maturity profile of the Company's other financial liabilities (trade payables, other account payable and accrued expenses, and warrants) as of December 31, 2019 and 2018, are less than one year.

*Currency rate risk*

As at December 31, 2019, a portion of the Group's financial assets and liabilities held in CAD 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 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.

- d. Changes in liabilities arising from financing activities:

	Short-term loans	Lease liabilities	Warrants	Total liabilities arising from financing activities
Balance as of January 1, 2019	\$ -	\$ -	\$ 1,053	\$ 1,053
Additions due to acquisition of subsidiary	945	-	-	945
Issuance of new warrants	-	-	2,797	2,597
Initial application of IFRS 16	-	777	-	777
Additions for new leases	-	396	-	396
Cash flows	(951)	(165)	-	(1,116)
Other changes	6	42	-	48
Effect of changes in fair value	-	-	(3,653)	(3,453)
Balance as of December 31, 2019	\$ -	\$ 1,050	\$ 197	\$ 1,247

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Canadian Dollars in thousands, except share and per share data

## NOTE 16:- CONTINGENT LIABILITIES, GUARANTEES, COMMITMENTS AND CHARGES

Legal proceedings:

*Municipal Taxes Demand*

On January 15, 2018, IMC, six other medical cannabis growers and Abarbanel Mental Health Center received a municipal tax demand from the municipality of Bat-Yam, ordering them to pay approximately NIS 2.8 million (\$911), for operating a medical cannabis distribution center in Bat-Yam. On May 15, 2018, IMC filed an objection to the demand on the basis that it does not operate nor conduct business of any kind in the jurisdiction of Bat-Yam. On June 2019, the Company, the Growers and Abarbanel signed a settlement agreement, according to which, 200,000 NIS will be paid, by Abarbanel and 4 of the Growers (the "Liable Growers") to Bat-Yam municipality to eliminate the claim. On February and March 2020, the Liable Growers paid their part of the settlement. The Company is not a Liable Grower. Following the aforementioned, the tax claim procedure has ended.

*Class Action T.Z. 8394-11-16*

On November 3, 2016, a motion was filed for approval of a class action against Focus and seven other Israeli cannabis growers (collectively, the "Growers"), for (1) alleged use of chemical pesticides in the cannabis growing process, in contradiction to the Plant Protection Regulations (Compliance with Packaging Label Instructions) (the "Label Regulations") and to the Protection of Public Health Regulations (Food) (Residues of Pesticides) (the "Residues Regulations"), and the misleading of their customers, thus violating the Consumer Protection Law (the "Consumer Law") (hereafter: the "usage of pesticides claim") (2) selling cannabis product with lower concentration of active ingredients than publicized; and (3) marketing products in defective packaging - allegedly causing violation of Autonomy and unjust enrichment.

The personal suit sum for every class member stands at NIS 5,000 (\$2); the total amount of the class action suit is estimated at NIS 133 million (\$50,633).

The Growers argued in their response that the threshold conditions for approval of a class action were not met, and that they did not violate the Label Regulations and the Residues Regulations.

The Growers also argued that they are not liable for any civil wrongdoing, nor did they mislead users regarding usage of pesticides, or had any legal duty regarding cannabis packaging beyond Ministry of Health guidance and therefore did not breach any statutory duty. Additionally, the defense argues that there is no base for an unjust enrichment claim.

On September 6, 2018, the Ministry of Health and the Ministry of Agriculture submitted their official opinion to the court. The second preliminary hearing took place on October 29, 2018. In an evidentiary hearing held on September 9, 2019, the petitioners and the Growers testified and it was decided to remove the plaintiffs' second and last expert opinion from the motion. On December 31, 2019, the applicants submitted their summaries. On April 12, 2020, the court approved the Growers request, in which their response to the Motion will be submitted until April 23, 2020.

At the current stage of the litigation process, Focus' management believes, based on the opinion of its legal counsel, that it is probable (more likely than not) that the motion for a class action against Focus will be approved. Therefore, an accrual in respect of this litigation was recorded in the financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Canadian Dollars in thousands, except share and per share data

## NOTE 16:- CONTINGENT LIABILITIES, GUARANTEES, COMMITMENTS AND CHARGES (Cont.)

*Class Action T.Z. 35676-08-19*

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 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 (\$5.9 ); the total amount of the class action suit is estimated at NIS 686 million (\$261 ,000). On February 20, 2020, the court approved the Companies' request, in which their response to the Motion will be submitted until March 29, 2020. Due to the Coronavirus situation, the Companies' response to the Motion will be submitted until May 3, 2020.

At this preliminary stage, Focus' management believes, based on the opinion of its legal counsel, that it is not possible to assess the prospects of the proceeding. Therefore, no provision has been recorded in respect thereof.

*Supreme Court of Justice 2335/19*

On October 6, 2019, Focus received a decision regarding a petition that was filed against the Ministry on Health ("MOH"), concerning the new regulatory framework of the cannabis market and demanding that the court resolve as follow:

- That the MOH immediately suspends the implementation of the new regulation that harms, disproportionately, the medical cannabis patients;
- That the implementation of the new regulation, as is, would cause violation of constitutional rights of the medical cannabis patients;
- 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.

According to the decision, Focus has been attached to the proceedings and filed its response on November 12, 2019.

On March 8, 2020, the Court decided to extend, at this time, the validity of the interim injunction, so that the medical cannabis use licenses, which were extended under the decision, will 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, or until another Court decision.

The Court also decided that as further extension of the period of the interim injunction was 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.

As to the continuation of the legal process, the Court held that the respondents represented by the Israeli State Attorney's Office shall submit an updated notice to the Court regarding the progress of the proceedings before the Price Committee until May 1, 2020.

At this preliminary stage, Focus' management believes, based on the opinion of its legal counsel, that it is not possible to assess the proceeding's outcome. Therefore, no provision has been recorded in respect thereof.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Canadian Dollars in thousands, except share and per share data

**NOTE 16:- CONTINGENT LIABILITIES, GUARANTEES, COMMITMENTS AND CHARGES (Cont.)**

*Class Action T.Z. 31805-10-19*

On October 30, 2019, Focus was served with a Motion for approval of a class action against it, the Medical Cannabis Unit in Ministry of Health (MCU), and five other companies related to the cannabis market in Israel. The Motion was filed in connection to a stopping of supplies of medical cannabis by way of direct supply. The legal causes alleged in the Motion are the following: Discrimination in violation of the Equal Rights for Persons with Disabilities Act, 1988; Restrictive arrangement contrary the Economic Competition Law, 1988. The motion argues that the class action group incurred damages at the amount of NIS 656 Million (\$250,000). On March 20, 2020 the court approved the Company's request, in which its response to the Motion will be submitted until May 17, 2020 and the pre-hearing is scheduled to October 25, 2020.

At this preliminary stage, Focus' management believes, based on the opinion of its legal counsel, that it is not possible to assess the prospects of the proceeding. Therefore, no provision has been recorded in respect thereof.

**NOTE 17:- TAXES ON INCOME**

## a. Tax rates applicable to the Group:

1. The Company is subject to tax rates applicable in Canada. The combined federal and provincial rate for 2019 and 2018 is 26.5%.
2. The Israeli subsidiaries are subject to Israeli corporate income tax rate of 23% in 2019 and 2018.
3. The German subsidiary, AdjuPharm, is subject to weighted tax rate of approximately 27% (composed of Federal and Municipal tax).

## b. Tax assessments:

The Company has tax assessments that are deemed final through 2013.

The Israeli subsidiaries, excluding Focus, have not received final tax assessments or assessments that are deemed final since inception. Focus has tax assessments that are deemed final through 2013.

AdjuPharm has tax assessments that are deemed final through 2009.

## c. Carryforward losses for tax purposes:

Carryforward operating tax losses of the Israeli subsidiaries total approximately \$5,876, as of December 31, 2019. 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 \$23, relating to these losses were recognized in the financial statements. Deferred tax assets relating to carryforward operating losses of approximately \$5,776, were not recognized because their utilization in the foreseeable future is not probable.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

## NOTE 17:- TAXES ON INCOME (Cont.)

Carryforward operating tax losses of Adjupharm as of December 31, 2019, amounted to approximately \$803. Accumulated tax losses can be carried forward without time restrictions and can be deducted from future profits and capital gains unless they exceed €1,000,000 (\$1,459). Losses carried forward that exceed €1,000,000 (\$1,459) can only be deducted to the amount of 60% of the profits or capital gains that exceed €1,000,000 (\$1,459) (minimum taxation). Those parts that cannot be deducted on the basis of the minimum taxation can be carried forward again and are subject to minimum taxation in the following years. Deferred tax assets of approximately \$217, relating to carryforward operating losses were recognized in the financial statements.

- d. Income tax expense (benefit):

	Year ended December 31	
	2019	2018
Current	\$ 183	\$ 443
Deferred, net	(93)	281
Income tax from previous years	-	17
	<u>\$ 90</u>	<u>\$ 741</u>

- e. Deferred taxes:

	Statements of financial position		Statements of profit or loss	
	December 31,		Year ended December 31,	
	2019	2018	2019	2018
Deferred tax assets:				
Carry-forward tax losses and other	\$ 306	\$ 307	\$ 12	\$ 307
	<u>306</u>	<u>307</u>	<u>12</u>	<u>307</u>
Deferred tax liabilities:				
Inventory and biological assets	805	847	(72)	588
Intangible assets	238	-	(33)	-
	<u>1,043</u>	<u>847</u>	<u>(105)</u>	<u>588</u>
Deferred tax expenses, net			\$ (93)	\$ 281
Deferred tax assets (liabilities), net	<u>\$ (737)</u>	<u>\$ 540)</u>		

The deferred taxes are reflected in the statement of financial position as follows:

	December 31,	
	2019	2018
Non-current assets	\$ 89	\$ 307
Non-current liabilities	<u>\$ 826</u>	<u>\$ 847</u>

The deferred taxes are computed based on the tax rates that are expected to apply upon realization.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

## NOTE 17:- TAXES ON INCOME (Cont.)

- f. Reconciliation of tax expense and the accounting profit multiplied by the Company's domestic tax rate for 2019 and 2018:

	The year ended December 31,	
	2019	2018
<b>Income (loss) before income tax</b>	\$ (7,329)	\$ 3,368
Statutory tax rate in Canada 26.5% (in 2018, the Israeli tax rate was 23%)	(1,942)	775
Increase (decrease) in income tax due to:		
Non-deductible expenses for tax purposes	1,489	2
Unrecognized tax benefit in respect of loss for the year	315	-
Adjustments in respect of current income tax of previous years	78	17
Effect of different tax rate of subsidiaries	104	-
Other adjustments	46	(53)
<b>Income tax expense</b>	<b>\$ 90</b>	<b>\$ 741</b>

## NOTE 18:- EQUITY

- a. Composition of share capital:

	December 31,			
	2019		2018	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
<b>Ordinary shares without par value</b>	Unlimited	145,743,283	Unlimited	730,050

Ordinary 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. In addition, the issued and outstanding share capital is represented retrospectively after split of 1:10.

- b. Changes in issued and outstanding share capital:

As a result of the RTO described in Note 5, the capital structure (number of shares and par value) remains that of Navasota (the legal acquirer) while the components of the equity (share premium, other reserves and accumulated deficit) are those of IMC (the legal acquiree). Accordingly, the number of shares in the following table have been retroactively adjusted to reflect the exchange ratio used in the issuance of shares by Navasota in the RTO.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

## NOTE 18:- EQUITY (Cont.)

	Number of shares
Balance as at January 1, 2018	100,000,000
Issuance of shares in connection with IMC 2018 private placement	22,827,490
Balance as at December 31, 2018	122,827,490
Issuance of shares in connection with 2019 private placement (1)	19,460,527
Issuance of shares in connection with reverse acquisition (1)	3,455,266
Balance as at December 31, 2019	145,743,283

- (1) As described in Note 5, in August 2019, as part of the RTO a series of private placements were completed pursuant to an aggregate of 19,460,527 units (the "Units"), including 19,460,527 shares, were issued at \$1.05 per Unit for gross proceeds of \$20,433 (the "2019 Private Placements") (see Note 15). Also, as part of the RTO, in October 2019 there was a deemed issuance of 3,455,266 shares to the then existing shareholders of Navasota.

## c. Share option plan:

On December 19, 2018, the Board of Directors approved the "2018 Share Incentive Plan" (the "2018 Plan"), for the granting of options, shares, restricted shares and restricted share units, (together "Awards"), in order to provide incentives to Group employees, directors, consultants and/or contractors. In accordance with the 2018 Plan, a maximum of 12,250,000 Ordinary shares are reserved for issuance.

In August 2019, as part of the RTO, the Company updated the 2018 plan and set the total Ordinary shares reserved for issuance to a maximum of 10% of the Ordinary shares issued and outstanding. As of December 31, 2019, a maximum of 14,574,328 Ordinary shares are reserved for issuance.

Awards granted under the 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 twelve 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, 2019, 2,814,328 Ordinary shares are available for future grants under the 2018 plan.

The fair value for options granted during the year ended December 31, 2019, to the Group's employees, directors and advisors was estimated using the Black & Scholes option pricing model with the following assumptions:

Exercise price (in CAD)	\$0.40
Dividend yield (%)	-
Expected life of share options (Years)	4.7-10
Volatility (%)	79
Annual risk-free rate (%)	1.18-1.78
Share price (in CAD)	0.34

The weighted average fair value of each option on the grant date amounted to \$0.492 (after 1:10 split).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

## NOTE 18:- EQUITY (Cont.)

The following table lists the number of share options and the weighted average exercise prices of share options in the 2018 Plan (after 1:10 split):

	December 31, 2019	
	Number of options	Weighted average exercise price in CAD
Options outstanding at the beginning of the period	-	\$ -
Options granted during the year *)	12,300,000	0.40
Options exercised during the year	-	-
Options forfeited during the year	(540,000)	0.40
Options outstanding at the end of year	11,760,000	\$ 0.40
Options exercisable at the end of year	-	\$ -

\*) Includes 5,110,000 options granted to key management personnel.

The weighted average remaining contractual life for the share options outstanding as of December 31, 2019, was 9.18 years.

On July 4, 2019, as part of the RTO, the Company entered into an agreement with a service provider, according to which, upon the RTO, the Company will grant the service provider fully vested options to purchase 350,000 Ordinary shares, at an exercise price of \$1.05 per option. The option will expire within seven years from the grant date. As of December 31, 2019, the options grant is contingent upon the Company's Board of Directors approval.

The share-based payment expenses for the year ended December 31, 2019 and 2018, amounted to \$2,677 and \$ nil, respectively.

## d. Other convertible securities:

As of December 31, 2019, the following other convertible securities are outstanding:

1. 2018 Compensation warrants (see Note 15a) - 1,286,510 warrants for the purchase of Ordinary shares at an exercise price of \$0.50 (adjusted for the effect of 1:10 split). These warrants are exercisable at any time until June 2020.
2. 2019 Compensation Units (see Note 15b) - Options to acquire 1,199,326 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.

## NOTE 19:- SELECTED STATEMENTS OF PROFIT OR LOSS DATA

	Year ended December 31,	
	2019	2018
Salaries and related expenses	\$ 3,867	\$ 1,413
Professional fees	\$ 1,624	\$ 1,368
Depreciation and amortization	\$ 601	\$ 180

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

## NOTE 20:- NET EARNINGS (LOSS) PER SHARE

Details of the number of shares and income used in the computation of earnings per share:

	Year ended December 31,			
	2019		2018	
	Weighted number of shares (in thousands)	Net income (loss) attributable to equity holders of the Company	Weighted number of shares (in thousands)	Net income attributable to equity holders of the Company
For the computation of basic net earnings	127,913	\$ (7,292)	112,690	\$ 1,683
Effect of potential dilutive Ordinary shares	-	-	-	-
For the computation of diluted net earnings	127,913	\$ (7,292)	112,690	\$ 1,683

(\*) For 2019, and 2018, all potentially dilutive securities (Warrants and share options) were excluded from the calculation of diluted earnings per share as they are antidilutive.

## 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,	
	2019	2018
Other accounts receivables	\$ 64	\$ 30

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,	
	2019	2018
General and administrative expenses	\$ 464	\$ 420

Transactions with related parties mainly includes compensation for management services and bonus in the ordinary course of business and lease rental payments.

## b. Compensation of key management personnel of the Group:

	Year ended December 31,	
	2019	2018
Payroll and related expenses *)	\$ 1,537	\$ 517
Professional fees **)	\$ 359	\$ 346

\*) Includes one-time bonus payment to AdjuPharm's CEO in the amount of \$358.

\*\*) Includes payments to shareholders for the years ended 2019 and 2018 of \$359 and \$346, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

## NOTE 22:- SUMMARIZED FINANCIAL INFORMATION FOR PARTLY OWNED SUBSIDIARY

Summarized financial information for Focus as follows:

	December 31,	
	2019	2018
Statement of financial position at reporting date (as presented in Focus' financial statements):		
Current assets	\$ 7,723	\$ 6,447
Non-current assets	3,027	981
Current liabilities	(3,247)	(878)
Non-current liabilities	(1,853)	(1,025)
Total equity	<u>\$ 5,650</u>	<u>\$ 5,525</u>

	Year ended December 31,	
	2019	2018
Operating results (as presented in Focus' financial statements):		
Revenues	\$ 8,421	\$ 5,197
Net income (loss)	(324)	3,632
Other comprehensive income	(29)	71
Total comprehensive income	<u>\$ (353)</u>	<u>\$ 3,703</u>

	Year ended December 31,	
	2019	2018
Cash flows (as presented in Focus' financial statements):		
From operating activities	\$ 2,357	\$ 388
From investing activities	(1,308)	(620)
From financing activities	(129)	-
Effect of foreign exchange on cash and cash equivalents	10	-
Net increase (decrease) in cash and cash equivalents	<u>\$ 930</u>	<u>\$ (232)</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Canadian Dollars in thousands, except share and per share data

## NOTE 23:- SUBSEQUENT EVENTS

- a. On January 23, 2020, IMC signed definitive agreements to establish a medical cannabis cultivation and processing joint venture in Greece (the "Joint Venture") with Galen Industries Single Member Societe Anonyme, a Greek company established by a consortium of investors in Greece with extensive experience in the pharmaceutical, media, finance and energy sectors ("Galen").

IMC will own 25% of the Joint Venture and the remaining 75% of the Joint Venture will be owned by Galen. Each party is committed to fund the initial capital expenditures, totaling approximately up to €8,000,000 (\$11,675 ) to fund the construction of an EU-GMP certified cultivation and processing facility in Greece. IMC will invest up to €1,500,000 (\$2,189) into the Joint Venture, with the balance funded by Galen. Execution of the Joint Venture's business plan will start immediately and construction of greenhouses as well as the EU-GMP facility is expected to begin upon receiving the Establishment Approval from the Greek medical cannabis regulatory authorities. The Joint Venture land plot size is expected to be 100,000 to 180,000 square meters (or 1,076,000 to 1,938,000 square feet).

In addition, the Joint Venture and IMC have signed a preferred supply agreement (the "Supply Agreement"). Under the Supply Agreement, IMC has the right to purchase up to 25% of the total production from the Joint Venture at a preferred price as determined in the agreement, for an initial period of five years. IMC expects to gain commercial and competitive advantages by supplying the German market and other emerging markets across Europe with EU-GMP medical cannabis products from the Joint Venture's facility in Greece at preferred terms.

- b. On March 23, 2020, Focus signed a Supply agreement with Intelicanna Ltd. ("Intelicanna") (TASE:INTL) for a minimum of 500kg and up to 1,000kg of medical cannabis. Additional purchases may be made by Focus under the agreement without a change to the contracted price paid to Intelicanna. The finished products will be sold to pharmacies in Israel under the IMC brand. The Supply Agreement is for a term of 12 months from the date of the first planting in Intelicanna's facility is contingent on Intelicanna receiving IMC-GAP approval by June 15, 2020.

Intelicanna will obtain access to Focus Medical's unique and proprietary genetics for the purpose of delivering product under the Supply Agreement but the genetics will remain the exclusive property of Focus Medical. Intelicanna may not sell, transfer or perform research with the genetics it accesses through this Supply Agreement without consent from Focus Medical. Under the Supply Agreement, Intelicanna is responsible for all production activities under Focus' supervision and quality control practices throughout the growing process at Intelicanna's site.

- c. On March 30, 2020, Focus signed a binding three-year Sale agreement for the sale of medical cannabis (the "Sale Agreement") to three pharmacies in Jerusalem operating under the Oranim Pharm and Medi Plus banners (the "Pharmacies").

Focus will supply the Pharmacies a total of 800kg of medical cannabis annually for a period of three years. The total quantity of medical cannabis to be delivered under the Sale Agreement is 2,400kg and the Pharmacies are obligated to purchase the entire quantity at a contracted price pursuant to the Sale Agreement.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Canadian Dollars in thousands, except share and per share data

## NOTE 23:- SUBSEQUENT EVENTS (Cont.)

- d. On March 31, 2020, Focus signed a three-year definitive Supply agreement (the "Supply Agreement") with Way of Life Ltd. and Cannation Ltd. ("Way of Life" and "Cannation", respectively, or the "Suppliers") to purchase a total of approximately 2,600kg of medical cannabis per year, for a total of up to 7,800kg of medical cannabis over three years. All finished products under the Supply agreement will bear the IMC brand and be sold to pharmacies in Israel.

Way of Life is an IMC-GAP certified cultivator and is dedicating a 1,301 square meters (14,000 square feet). space at its facility for the cultivation of Focus' proprietary medical cannabis strains. The Supply Agreement with Cannation calls for a 5,017 square meters (54,000 square feet) area for the cultivation of Focus' proprietary medical cannabis strains, with the option to increase the dedicated area by an additional 10,034 square meters (108,000 square feet), and is contingent on Cannation receiving IMC-GAP certification by August 22, 2020.

The Suppliers will obtain access to Focus Medical's unique and proprietary genetics for the purpose of delivering products under the Supply Agreement but the genetics will remain the exclusive property of Focus. The Suppliers may not sell, transfer or perform research with the genetics it accesses through this Supply Agreement without consent from Focus. Under the Supply Agreement, Focus will have access to the Suppliers' growing facilities to monitor the entire growing process.

- e. On April 6, 2020, Focus signed a binding two-year sales agreement for the sale of IMC branded medical cannabis with Shor Tabachnik pharmacies ("Tabachnik") (the "Tabachnik Sale Agreement"). According to the Tabachnik Sale agreement, Focus will supply Tabachnik 1,000Kg of IMC branded medical cannabis products annually through the duration of the Tabachnik Sale Agreement at a contracted price pursuant to the Tabachnik Sale Agreement.
- f. On April 13, 2020, Focus signed a binding three-year agreement for the sale of 13,575kg of IMC branded medical cannabis products to Super-Pharm (Israel) Ltd. ("Super-Pharm") (the "SP Sale Agreement"). According to the SP Sale Agreement, Focus will sell to Super-Pharm with a total 13,575Kg of IMC branded medical cannabis over the next three years as follows: 2,270kg in 2020, 4,980kg in 2021, and 6,325kg in 2022. Medical cannabis products sold under the Sales Agreement will include both dry flower and extract products at a contracted price pursuant to the SP Sale Agreement.
- g. On April 13, 2020, Focus signed a one-year binding agreement for the sale of 1,000kg IMC branded medical cannabis to Panaxia Labs Israel, Ltd. ("Panaxia") (TASE:PNAX) (the "Panaxia Sale Agreement"). Under the Panaxia Sale Agreement, Panaxia will have deliveries beginning in April 2020 with 1,000kg contracted for sale over the next 12 months at a contracted price pursuant to the Panaxia Sale Agreement.
- h. On April 14, 2020, Focus signed an agreement for the sale of up to 1,500kg over three years of IMC branded medical cannabis to Max Pharm Ltd. ("Max Pharm") (the "MP Sale Agreement"). Under the MP Sale Agreement, Max Pharm will have deliveries beginning in 2021 with annual 500kg at a contracted price pursuant to the MP Sale Agreement. Max Pharm has an option to increase the annual capacity in 2021, 2022 and 2023 for an additional 500kg in each year, for a total potential volume of 1,500kg over three years.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Canadian Dollars in thousands, except share and per share data

## NOTE 23:- SUBSEQUENT EVENTS (Cont.)

- i. Since December 31, 2019, 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. In addition, global equity markets have experienced significant volatility and weakness.

To date, the COVID-19 pandemic has not had a material negative impact on the Company's results of operations. The Company, well as its distribution channels are considered essential businesses (food and drug retailers) that continue to operate during this period. However, the duration and severity of the COVID-19 pandemic is unknown at this time and the Company is unable to predict the effect should the situation continue for a prolonged period.



#### IM Cannabis Releases Message from CEO and Recent Milestones

**Toronto and Gili Yam, Israel, January 6, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), one of the world's pioneering and innovation focused medical cannabis companies with operations in Israel and across Europe, is pleased to release a message from its Chief Executive Officer, Oren Shuster.

#### Message from CEO

2019 was a pivotal year for IM Cannabis Corp. We are very proud to have accomplished many milestones and are more confident than ever in our long-term ambitions.

From a leading brand and operator in the Israeli market, we became a true European player accomplishing our goal of being one of the very few cannabis companies to establish a complete supply chain in Europe in 2019!

We began executing our European growth strategy with the acquisition of Adjupharm GmbH, our fully licensed and EU-GMP certified distribution subsidiary in Germany. This acquisition added a strong and experienced team of pharma, quality and distribution professionals to our cherished human resources, and gives IM Cannabis Corp. the ability to import, export and distribute medical cannabis through Europe's largest medical cannabis market. Our European footprint now also includes IMC Portugal and Greece, through a collaboration with local partners.

In Israel, we embraced a complex governmental reform and were amongst the first to have our branded products on pharmacy shelves throughout the country. Our plans of growth in the Israeli market have been complemented by the expansion of the facilities of Focus Medical, the licensed entity which has exclusive commercial agreements with IMC, to increase its production capacity in Israel.

We increased our focus on innovation by collaborating with major academic institutions and sourcing unique technologies to comprise a pipeline of innovative medical products into the future.

We were humbled and honoured by the support of our investors and shareholders, raising over C\$20 million in capital this year despite challenging capital markets. In November, we achieved our goal of becoming the first Israeli cannabis operator to be listed on the Canadian Securities Exchange (CSE:IMCC).

I'm grateful to our dedicated team at IM Cannabis Corp. and our valued shareholders for your commitment during this breakthrough year. Your support will enable us to continue as a leading medical cannabis brand in Israel and Europe in 2020 and beyond.

Wishing you and your loved ones a happy New Year filled with health and happiness.

Sincerely, Oren Shuster

#### Europe

In January 2019, IMC Holdings Ltd., an Israeli subsidiary of IM Cannabis Corp., founded International Medical Cannabis Portugal, Unipessoal, Lda., to develop a cultivation centre in Portugal to further serve the European market. The Portuguese entity is in the process of obtaining licenses to carry out these activities.

Also in January 2019, IMC signed an LOI to form a joint venture with a Greek partner to construct and operate a medical cannabis production facility in Greece and is in the final stages of negotiating a definitive agreement.

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In March 2019, IMC acquired Adjupharm GmbH, a fully licensed medical cannabis distributor and EU-GMP certified facility. This distribution platform constitutes a cornerstone in IMC's European strategy.

Adjupharm has begun preparation for implementation of IMC's European strategy in 2020, ramping up its logistics and storage infrastructure, and is in the process of completing all necessary preparations ahead of import of supply from Spain that the Company expects will commence in Q2 2020. This includes the application for registration of IMC strains, products and packaging including all aspects of import and irradiation.

In May 2019, IMC signed a long-term supply agreement with a strategic partner in Spain. The Company anticipates that products will be available for sale in Europe by Q2 2020.

## **Israel**

In 2019, strategic agreements were entered with Israeli pharmacies and distributors for the sale of IMC brands under the new regulatory regime. In September 2019, Focus Medical Herbs Ltd. ("Focus Medical"), a strategic partner of IMC, signed distribution agreements with Novolog - the largest pharmaceutical logistics group in Israel - to distribute IMC branded products to all licensed pharmacies in Israel (currently 64 pharmacies are licensed to dispense cannabis). IMC branded products are distributed to pharmacy chains, including Superpharm, Israel's largest drug-store chain, as well as private pharmacies.

Focus Medical's GAP certification was extended enabling IMC's branded products to be available for sale in pharmacies.

In Q3 2019, Focus Medical's production facility in Sde Avraham began construction on an expansion of the facility's annual production capacity. Focus Medical expects that the expanded section of the facility will begin production in February 2020.

## **Innovation**

IMC has entered into joint venture agreements in final stages of negotiation for the development of novel medical cannabis products, medical devices and technologies.

## **Capital Markets**

IMC successfully completed a raise of C\$20.4 million in September 2019 which will fund the Company's growth strategy including European and Israeli expansion, as well as its innovation pipeline.

On November 5, 2019 IMC was listed on the Canadian Securities Exchange! We became the first Israeli operator to be listed in Canada.

## **Expansion of Global Leadership Team**

IMC has expanded its global senior leadership team with several strategic hires including:

Richard Balla - CEO of Adjupharm, GmbH

Shai Shemesh - CFO of IM Cannabis Corp.

Yaron Berger - **Israeli Operation** CEO of IMC Holdings Ltd., an Israeli subsidiary of IM Cannabis Corp.

Anna Tarranko - Marketing Manager of Adjupharm GmbH

Francesco Bisceglia - Business Development Manager of Adjupharm GmbH

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## **About IM Cannabis Corp.**

IMC is an international medical cannabis company, and a well-known Israeli brand of medical cannabis products. In Europe, IMC is establishing a medical cannabis operation first with its distribution subsidiary in Germany and augmented by strategic agreements with certified EU-GMP Standard suppliers, making it one of the only medical cannabis companies with fully integrated operations in Europe. IMC intends to leverage its operational experience and brand to establish a foothold in emerging medical cannabis markets including Germany, Portugal and Greece. IMC's core Israeli business includes offering branding, know-how and other intellectual property-related services to the Israeli medical cannabis market. Its key assets in Israel include commercial agreements with licensed producers and an option to purchase licensed entities. IMC has developed proprietary processes in its operations and is active in developing and investing in innovative technology for global medical cannabis consumers leveraging its reputation and expertise in the medical cannabis sector.

### ***Disclaimer for Forward-Looking Statements***

This press release contains forward-looking statements within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "likely" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. The forward-looking statements in this press release include statements relating to the Company's strategic plans, Israeli and European operations and expansion plans, its strategic relationship with Focus Medical Herbs Ltd., and joint ventures with European partners. Forward-looking statements are subject to business and economic risks and uncertainties and other factors that could cause actual results of operations to differ materially from those contained in the forward-looking statements, including, without limitation: the ability of the Company to comply with applicable government regulations in a highly regulated industry; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel, Germany, Portugal, Greece or any other foreign jurisdictions in which the Company intends to operate; reliance on management; inconsistent public opinion and perception regarding the use of cannabis; engaging in activities considered illegal under US federal law; political instability and conflict in the Middle East; adverse market conditions; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; currency fluctuations; competition; and loss of key management and/or employees. Please see the Company's Form 2A Listing Statement which is available under the Company's profile on SEDAR for additional related risks factors that could materially affect the Company's operations and financial results. The Company does not undertake any obligation to update forward-looking statements except as required by applicable securities laws. Investors should not place undue reliance on forward-looking statements.

### **For more information:**

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## IM Cannabis Expands Innovation Portfolio with Investment in Xinteza to Develop Innovative Biosynthesis Technology based on Weizmann Institute Research

**Toronto and Gilil Yam, Israel, January 7, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), one of the world's pioneering and innovation focused medical cannabis companies with operations in Israel and across Europe, is pleased to announce that it has invested in a unique biosynthesis technology by entering into a share purchase agreement dated December 26, 2019 with Xinteza API Ltd. ("Xinteza") whereby the Company will acquire 25% of Xinteza's outstanding common shares for consideration of up to US\$1.7 million. IMC's investment will be funded with existing cash resources.

Under an exclusive license from Yeda Research & Development Company Ltd., the commercial arm of the Weizmann Institute of Science, one of the world's leading multidisciplinary basic research institutions in natural and exact sciences, and based on disruptive plant genetics and metabolomics research led by Professor Asaph Aharoni, Xinteza is developing advanced proprietary technologies related to the production of cannabinoid-based active pharmaceutical ingredients ("API") for the pharmaceutical and food industries using biosynthesis and bio-extraction technologies. IMC's investment leverages its reputation and network in the Israeli cannabis research and development sector and furthers its initiative to develop cannabis-based medicine and medical devices, both for local and international markets.

"This investment is an excellent opportunity for IMC to deliver on the research and innovation component of its strategy. Israel was an early adopter of medical cannabis globally, the country has for decades been among the world leaders in research and development of cannabis-based innovation and very significant intellectual property has been gained at the Weizmann Institute of Science in particular. Research and development of cannabinoid-based APIs is expected to yield a low-cost and scalable method of producing cannabinoids, especially as pharmaceutical applications and derivative product formats continue to grow worldwide over the long-term," said Oren Shuster, Chief Executive Officer of IMC.

### **About IM Cannabis Corp.**

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### **Disclaimer for Forward-Looking Statements**

This press release contains forward-looking statements within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "likely" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. The forward-looking statements in this press release include statements relating to the Company's strategic plans, Xinteza's ability to develop cannabinoid-based APIs using biosynthesis, and the adoption of these APIs in the pharmaceutical industry and for other applications. Forward-looking statements are subject to business and economic risks and uncertainties and other factors that could cause actual results of operations to differ materially from those contained in the forward-looking statements, including, without limitation: the ability of the Company to comply with applicable government regulations in a highly regulated industry; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel, Germany, Portugal, Greece or any other foreign jurisdictions in which the Company intends to operate; reliance on management; inconsistent public opinion and perception regarding the use of cannabis; engaging in activities considered illegal under US federal law; political instability and conflict in the Middle East; adverse market conditions; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; currency fluctuations; competition; and loss of key management and/or employees. Please see the Company's Form 2A Listing Statement which is available under the Company's profile on SEDAR for additional related risks factors that could materially affect the Company's operations and financial results. The Company does not undertake any obligation to update forward-looking statements except as required by applicable securities laws. Investors should not place undue reliance on forward-looking statements.

**For more information:**

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Date: January 10, 2020



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To: All Canadian Securities Regulatory Authorities

**Subject: IM CANNABIS CORP.**

Dear Sir/Madam:

We advise of the following with respect to the upcoming Meeting of Security Holders for the subject Issuer:

Meeting Type :	Annual General Meeting
Record Date for Notice of Meeting :	February 05, 2020
Record Date for Voting (if applicable) :	February 05, 2020
Beneficial Ownership Determination Date :	February 05, 2020
Meeting Date :	March 16, 2020
Meeting Location (if available) :	Toronto, ON
Issuer sending proxy related materials directly to NOBO:	Yes
Issuer paying for delivery to OBO:	No

**Notice and Access (NAA) Requirements:**

NAA for Beneficial Holders	No
NAA for Registered Holders	No

**Voting Security Details:**

<b>Description</b>	<b>CUSIP Number</b>	<b>ISIN</b>
COMMON	44969Q109	CA44969Q1090

Sincerely,

**Computershar**

Agent for IM CANNABIS CORP.



#### IM Cannabis Continues European Expansion, Establishes Joint Venture and Supply Agreement in Greece

- IMC to become 25% Joint Venture partner for cultivation and processing operation in Greece
- Preferred supply agreement to diversify sources of EU-GMP medical cannabis for export to Germany and other emerging markets

**Toronto and Gili Yam, Israel, January 28, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE: IMCC), one of the world's pioneering medical cannabis companies with operations in Israel and across Europe, is pleased to announce that on January 23, 2020 it signed definitive agreements to establish a medical cannabis cultivation and processing joint venture in Greece (the "Joint Venture"). The Company's Joint Venture partner is Galen Industries Single Member Societe Anonyme, a Greek company established by a consortium of investors in Greece with extensive experience in the pharmaceutical, media, finance and energy sectors ("Galen"). In addition, the Joint Venture and IMC have signed a preferred supply agreement (the "Supply Agreement") in which IMC has the right to purchase up to 25% of the total production from the Joint Venture. IMC expects to gain commercial and competitive advantages by supplying the German market and other emerging markets across Europe with EU-GMP medical cannabis products from the Joint Venture's facility in Greece at preferred terms.

"Expanding IMC's operations to Greece is another significant milestone in our Europe-focused growth strategy and we have found excellent local partners that share the same vision as we do," said Oren Shuster, Chief Executive Officer. "Similar to Israel, Greece possesses excellent natural growing conditions for the cannabis plant. Once the Joint Venture receives EU-GMP certification, it will augment the sources from which the Company procures IMC-branded medical cannabis products for medical patients in Germany at first and throughout Europe over time."

Galen's Managing Director, Mr. Vasileios Georgopoulos said, "IMC was carefully selected as our partner due to its proven track record and is a distinguished brand of medical cannabis in Israel and Europe, which gives us great confidence in this Joint Venture in combination with our local market expertise. The medical cannabis market in Europe is a very large long-term opportunity and we will move quickly with IMC to establish an early advantage through this very focused Joint Venture. We are incredibly happy to partner with a great global player, while supporting the growth of a new medical industry in the recovering Greek market. We expect the Joint Venture to create many new job opportunities in the coming years."

#### **The Joint Venture**

IMC will own 25% of the Joint Venture and the remaining 75% of the Joint Venture will be owned by Galen. Each party is committed to fund the initial capital expenditures, totalling approximately up to €8,000,000 to fund the construction of an EU-GMP certified cultivation and processing facility in Greece. IMC will invest from existing cash resources up to €1,500,000 into the Joint Venture, with the balance funded by Galen.

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Execution of the Joint Venture's business plan will start immediately and construction of greenhouses as well as the EU-GMP facility is expected to begin upon receiving the Establishment Approval from the Greek medical cannabis regulatory authorities. The Joint Venture land plot size is expected to be 100,000 to 180,000 square meters (or 1,076,000 to 1,938,000 sq. ft.).

#### **The Supply Agreement**

Under the Supply Agreement, IMC is entitled to purchase up to 25% of the medical cannabis produced by the Joint Venture, at a preferred price, for an initial period of five years. Once the Joint Venture reaches commercial production, the Supply Agreement enables IMC to diversify its procurement of medical cannabis to deliver IMC-branded products to patients in Europe.

#### **IMC European Operations**

Over the past year, IMC has made significant progress establishing its operations in Europe. In Germany, the Company has acquired Adjupharm GmbH ("Adjupharm"), an EU-GMP certified distributor, fully licensed to import, export and distribute medical cannabis. The first shipment of medical cannabis to Adjupharm from an EU-GMP facility in Europe is expected in Q2 2020.

#### **About IM Cannabis Corp.**

IMC is an international medical cannabis company, and a well-known Israeli brand of medical cannabis products. In Europe, IMC is establishing a medical cannabis operation first with its distribution subsidiary in Germany and augmented by strategic agreements with certified EU-GMP Standard suppliers, making it one of the only medical cannabis companies with fully integrated operations in Europe. IMC intends to leverage its operational experience and brand to establish a foothold in emerging medical cannabis markets including Germany, Portugal and Greece. IMC's core Israeli business includes offering branding, know-how and other intellectual property-related services to the Israeli medical cannabis market. Its key assets in Israel include commercial agreements with licensed producers and an option to purchase licensed entities. IMC has developed proprietary processes in its operations and is active in developing and investing in innovative technology for global medical cannabis consumers leveraging its reputation and expertise in the medical cannabis sector.

#### **About Galen Industries Single Member Societe Anonyme**

Galen Industries was established by a consortium of investors in Greece with extensive experience that brings together more than 50 years of combined experience in pharmaceuticals, media, technology, engineering, finance, real estate and sales. The management team of Galen Industries consists of seasoned professionals and industry experts. Investing in the Joint Venture is a long-term commitment for Galen Industries and expansion plans include the local pharmaceutical cannabis market and exports to key European markets. Galen brings to the Joint Venture extensive knowledge of financing, licensing and developing a production facility in Greece.

#### ***Disclaimer for Forward-Looking Statements***

This press release contains forward-looking statements within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "likely" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. The forward-looking statements in this press release include statements relating to the Joint Venture receiving EU-GMP approval and the expected operations of the Joint Venture. Forward-looking statements are subject to business and economic risks and uncertainties and other factors that could cause actual results of operations to differ materially from those contained in the forward-looking statements, including, without limitation: the expected cost of construction and capacity for the Joint Venture's cultivation facility; the timing of construction commencement and completion for the Joint Venture's cultivation facility; the timing on the first shipment of medical cannabis supply from its cultivation partner in Europe; the ability of the Company to comply with applicable government regulations in a highly regulated industry; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel, Germany, Portugal, Greece or any other foreign jurisdictions in which the Company intends to operate; reliance on management; inconsistent public opinion and perception regarding the use of cannabis; engaging in activities considered illegal under US federal law; political instability and conflict in the Middle East; adverse market conditions; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; currency fluctuations; competition; and loss of key management and/or employees. Please see the Company's Form 2A Listing Statement which is available under the Company's profile on SEDAR for additional related risks factors that could materially affect the Company's operations and financial results. The Company does not undertake any obligation to update forward-looking statements except as required by applicable securities laws. Investors should not place undue reliance on forward-looking statements.

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**For more information:**

Oren Shuster  
Chief Executive Officer  
+972-77-3603504  
[info@imcannabis.com](mailto:info@imcannabis.com)

Marc Charbin  
Investor Relations  
+1 416-467-5229  
[investors@imcannabis.com](mailto:investors@imcannabis.com)

Gal Wilder  
Media Relations  
+1 647-259-3261  
[gal.wilder@cohnwolfe.ca](mailto:gal.wilder@cohnwolfe.ca)

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**IM CANNABIS CORP.**  
**NOTICE OF CHANGE OF AUDITOR**

**TO:** Dale Matheson Carr-Hilton Labonte LLP

**AND TO:** Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global

**AND TO:** British Columbia Securities Commission  
Alberta Securities Commission  
Ontario Securities Commission  
Canadian Securities Exchange

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IM Cannabis Corp. (formerly Navasota Resources Inc.) (the "**Company**") gives the following notice in accordance with 4.11 of National Instrument 51-102 -*Continuous Disclosure Obligations* (**NI 51-102**):

1. The Company has decided to change its auditor from Dale Matheson Carr-Hilton Labonte LLP (the "**Former Auditor**") to Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global (the "**Successor Auditor**"). Consequently, on January 13, 2020, the Company asked the Former Auditor to resign. The Former Auditor submitted their resignation effective January 16, 2020. Pursuant to the *Business Corporations Act* (British Columbia), the directors are entitled to fill any casual vacancy in the office of the new auditor. The Successor Auditor has agreed to its appointment as the Company's new auditor.
2. The Former Auditor resigned at the Company's request.
3. The making of the Company's request for the Former Auditor to resign as auditor of the Company and the appointment of the Successor Auditor as auditor of the Company, were considered and approved by the Audit Committee of the Board of Directors of the Company and also by the Board of the Directors of the Company.
4. There were no modified opinions in the Former Auditor's reports in connection with the audits of the Company's two most recently completed fiscal years ended April 30, 2019 and 2018. There have been no further audits of financial statements subsequent to the Company's most recently completed fiscal year and ending on the date of the Former Auditor's resignation.
5. There are no "reportable events", as defined in NI 51-102.

**DATED** this 19th day of January, 2020.

**IM CANNABIS CORP.**  
**(FORMERLY NAVASOTA**  
**RESOURCES INC.)**

(signed) "Oren Shuster"

Name: Oren Shuster

Title: Chief Executive Officer

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**Kost Forer Gabbay & Kasierer**  
144 Menachem Begin Road, Building A  
Tel-Aviv 6492102, Israel  
Tel: +972-3-6232525  
ey.com

January 22, 2020

British Columbia Securities Commission  
Alberta Securities Commission  
Ontario Securities Commission  
Canadian Securities Exchange

**Re: IM Cannabis Corp. (formerly Navasota Resources Inc.) - Change of Auditor Notice dated January 19, 2020**

Dear Sirs / Mesdames:

Pursuant to Part 4.11 of National Instrument 51-102, *Continuous Disclosure Obligations*, we have reviewed the notice of change of auditor of IM Cannabis Corp. dated January 19, 2020 (the "Notice") and, based on our knowledge of such information at this time, we agree with the statements contained in the Notice pertaining to our firm.

Yours sincerely,

Kost Forer Gabbay & Kasierer  
A Member of Ernst & Young Global

cc: The Board of Directors, IM Cannabis Corp.



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

1500 – 1140 W. Pender Street  
Vancouver, BC V6E 4G1  
TEL 604.687.4747 | FAX 604.689.2778

**British Columbia Securities Commission**  
P.O. Box 10142, Pacific Centre  
9th Floor - 701 West Georgia Street  
Vancouver, B.C. V7Y 1L2

**Canadian Securities Exchange**  
9th Floor - 220 Bay Street  
Toronto, ON M5J 2W4

**Alberta Securities Commission**  
Suite 600, 250 - 5th Street S.W.  
Calgary, Alberta T2P 0R4

**Ontario Securities Commission**  
20 Queen Street West, 22nd Floor  
Toronto, ON M5H 3S8

Dear Sirs:

**Re: IM Cannabis Corp. (the "Company")**  
**Notice Pursuant to National Instrument 51-102 - Change of Auditor**

As required by the National Instrument 51-102 and in connection with our resignation as auditor of the Company, we have reviewed the information contained in the Company's Notice of Change of Auditor, dated January 19, 2020 and agree with the information contained therein, based upon our knowledge of the information relating to the said notice and of the Company at this time.

Yours very truly,

A handwritten signature in blue ink that reads 'DMCL'.

DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver • Tri-Cities • Surrey • Victoria



## Israeli Government Approves First Export of Medical Cannabis from Israel to United Kingdom

**Toronto and Gili Yam, Israel, January 30, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE: IMCC), one of the world's pioneering medical cannabis companies with operations in Israel and across Europe, is preparing for the expansion of medical cannabis export from Israel in light of the recent news about government approval and the completion of the first medical cannabis shipment from Israel to the United Kingdom.

The export of medical cannabis from Israel is ahead of schedule, exactly one year after the Israeli cabinet issued final approval as part of an industry-wide reform. As one of the country's medical cannabis pioneers, IMC is working diligently to leverage export opportunities from Israel, under the new regulatory framework and supply-chain infrastructure that will facilitate these opportunities.

"There is a very large commercial opportunity for exporting medical cannabis from Israel into Europe and other international markets and we applaud the Israeli government for its vision in recognizing this market opportunity," said Oren Shuster Chief Executive Officer of IMC. "IM Cannabis is committed to delivering high-quality medicinal-grade cannabis products to its patients in Israel and establishing a leadership position in international markets by supplying branded medicinal cannabis products via the Company's fully-licensed import and export distribution facility."

### **About IM Cannabis Corp.**

IMC is an international medical cannabis company, and a well-known Israeli brand of medical cannabis products. In Europe, IMC is establishing a medical cannabis operation first with its distribution subsidiary in Germany and augmented by strategic agreements with certified EU-GMP Standard suppliers, making it one of the only medical cannabis companies with fully integrated operations in Europe. IMC intends to leverage its operational experience and brand to establish a foothold in emerging medical cannabis markets including Germany, Portugal and Greece. IMC's core Israeli business includes offering branding, know-how and other intellectual property-related services to the Israeli medical cannabis market. Its key assets in Israel include commercial agreements with licensed producers and an option to purchase licensed entities. IMC has developed proprietary processes in its operations and is active in developing and investing in innovative technology for global medical cannabis consumers leveraging its reputation and expertise in the medical cannabis sector.

### **Disclaimer for Forward-Looking Statements**

This press release contains forward-looking statements within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "likely" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. The forward-looking statements in this press release include statements relating to the market opportunity for medical cannabis in international markets and IMC's strategic plans. Forward-looking statements are subject to business and economic risks and uncertainties and other factors that could cause actual results of operations to differ materially from those contained in the forward-looking statements, including, without limitation: the ability of the Company to comply with applicable government regulations in a highly regulated industry; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel, Germany, Portugal, Greece or any other foreign jurisdictions in which the Company intends to operate; reliance on management; inconsistent public opinion and perception regarding the use of cannabis; engaging in activities considered illegal under US federal law; political instability and conflict in the Middle East; adverse market conditions; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; currency fluctuations; competition; and loss of key management and/or employees. Please see the Company's Form 2A Listing Statement which is available under the Company's profile on SEDAR for additional related risks factors that could materially affect the Company's operations and financial results. The Company does not undertake any obligation to update forward-looking statements except as required by applicable securities laws. Investors should not place undue reliance on forward-looking statements.

**For more information:**

Oren Shuster  
Chief Executive Officer  
+972-77-3603504  
[info@imcannabis.com](mailto:info@imcannabis.com)

Marc Charbin  
Investor Relations  
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Gal Wilder  
Media Relations  
+1 647-259-3261  
[gal.wilder@cohnwolfe.ca](mailto:gal.wilder@cohnwolfe.ca)

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IM CANNABIS CORP.



8th Floor, 100 University Avenue  
Toronto, Ontario M5J 2Y1  
www.computershare.com

Security Class

Holder Account Number

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Fold

## Form of Proxy - Annual General Meeting to be held on Monday, March 16, 2020

### This Form of Proxy is solicited by and on behalf of Management.

#### Notes to proxy

1. Every holder has the right to appoint some other person or company of their choice, who need not be a holder, to attend and act on their behalf at the meeting or any adjournment or postponement thereof. If you wish to appoint a person or company other than the persons whose names are printed herein, please insert the name of your chosen proxyholder in the space provided (see reverse).
2. If the securities are registered in the name of more than one owner (for example, joint ownership, trustees, executors, etc.), then all those registered should sign this proxy. If you are voting on behalf of a corporation or another individual you must sign this proxy with signing capacity stated, and you may be required to provide documentation evidencing your power to sign this proxy.
3. This proxy should be signed in the exact manner as the name(s) appear(s) on the proxy.
4. If this proxy is not dated, it will be deemed to bear the date on which it is mailed by Management to the holder.
5. The securities represented by this proxy will be voted as directed by the holder, however, if such a direction is not made in respect of any matter, this proxy will be voted as recommended by Management.
6. The securities represented by this proxy will be voted in favour or withheld from voting or voted against each of the matters described herein, as applicable, in accordance with the instructions of the holder, on any ballot that may be called for and, if the holder has specified a choice with respect to any matter to be acted on, the securities will be voted accordingly.
7. This proxy confers discretionary authority in respect of amendments or variations to matters identified in the Notice of Meeting or other matters that may properly come before the meeting or any adjournment or postponement thereof.
8. This proxy should be read in conjunction with the accompanying documentation provided by Management.

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Fold

Proxies submitted must be received by 1:00 pm, Toronto time, on Thursday, March 12, 2020

### VOTE USING THE TELEPHONE OR INTERNET 24 HOURS A DAY 7 DAYS A WEEK!



#### To Vote Using the Telephone

- Call the number listed BELOW from a touch tone telephone.

1-866-732-VOTE (8683) Toll Free



#### To Vote Using the Internet

- Go to the following web site:  
[www.investorvote.com](http://www.investorvote.com)
- Smartphone?  
Scan the QR code to vote now.



If you vote by telephone or the Internet, DO NOT mail back this proxy.

Voting by mail may be the only method for securities held in the name of a corporation or securities being voted on behalf of another individual.

Voting by mail or by Internet are the only methods by which a holder may appoint a person as proxyholder other than the Management nominees named on the reverse of this proxy. Instead of mailing this proxy, you may choose one of the two voting methods outlined above to vote this proxy.

To vote by telephone or the Internet, you will need to provide your CONTROL NUMBER listed below.

CONTROL NUMBER





### Appointment of Proxyholder

If We being holder(s) of Ill Cannabis Corp. hereby appoint(s): Marc Lustig, Chairman and Director, or failing him, Oren Shuster, Chief Executive Officer and Director, or failing him, Steven Mintz, Director

OR

Print the name of the person you are appointing if this person is someone other than the Chairman of the Meeting.

as my/our proxyholder with full power of substitution and to attend, act and to vote for and on behalf of the shareholder in accordance with the following direction (or if no directions have been given, as the proxyholder sees fit) and all other matters that may properly come before the Annual General Meeting of shareholders of Ill Cannabis Corp. to be held at Gowling WLG (Canada) LLP, Suite 1600, 1 First Canadian Place, 100 King Street West, Toronto, Ontario, Canada on Monday, March 16, 2020 at 1:00 pm, Toronto time and at any adjournment or postponement thereof.

VOTING RECOMMENDATIONS ARE INDICATED BY HIGHLIGHTED TEXT OVER THE BOXES.

	For	Against
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#### 1. Number of Directors

To set the number of Directors at five (5).

<input type="checkbox"/>	<input type="checkbox"/>
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#### 2. Election of Directors

For	Withhold	For	Withhold	For	Withhold	For	Withhold
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1. Oren Shuster		2. Marc Lustig		3. Steven Mintz			
4. Rafael Gaboy		05. Vivian Bercovici					

#### 3. Appointment of Auditors

Appointment of Ernst & Young LLP as Auditors of the Company for the ensuing year and authorizing the Directors to fix their remuneration.

<input type="checkbox"/>	<input type="checkbox"/>
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#### 4. Re-Approval of Stock Option Plan

To consider and, if thought fit, to approve the Company's 2020 Stock Option Plan.

<input type="checkbox"/>	<input type="checkbox"/>
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Authorized Signature(s) - This section must be completed for your instructions to be executed.

Signature(s)

Date

If We authorize you to act in accordance with my/our instructions set out above. We hereby revoke any proxy previously given with respect to the Meeting. If no voting instructions are indicated above, this Proxy will be voted as recommended by Management.

DD / MM / YY

Interim Financial Statements - Mark this box if you would like to receive Interim Financial Statements and accompanying Management's Discussion and Analysis by mail.

☐

Annual Financial Statements - Mark this box if you would like to receive the Annual Financial Statements and accompanying Management's Discussion and Analysis by mail.

☐

If you are not mailing back your proxy, you may register online to receive the above financial report(s) by mail at [www.computershare.com/mailinglist](http://www.computershare.com/mailinglist).



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**IM CANNABIS CORP.**

**Notice of Annual General Meeting of Shareholders March 16, 2020**

Notice is hereby given that the annual general meeting (the "**Meeting**") of the holders of common shares of **IM CANNABIS CORP.** (the "**Company**") will be held at the offices of Gowling WLG (Canada) LLP, Suite 1600, 1 First Canadian Place, 100 King Street West, Toronto, Ontario, Canada on Monday, March 16, 2020 at 1:00 p.m. (Toronto time) for the following purposes:

- (1) to receive the Company's consolidated audited financial statements as at and for the financial years ended April 30, 2019 and 2018 and the auditors' report thereon, a copy of which is enclosed herewith if so requested or available on [www.sedar.com](http://www.sedar.com);
- (2) to fix the number of directors of the Company at five;
- (3) to elect directors of the Company for the ensuing year;
- (4) to appoint an auditor for the Company and to authorize the board of directors to fix their remuneration;
- (5) consider, and if thought fit, to pass an ordinary resolution to re-approve the Company's stock option plan; and
- (6) to transact such other business as may properly come before the Meeting or any adjournment thereof.

The specific details of the foregoing matters to be put before the Meeting are set forth in the management information circular ("**Circular**") accompanying this Notice of Meeting.

Shareholders are invited to attend the Meeting. *Registered shareholders* who are unable to attend the Meeting in person are requested to read the Circular and the form of proxy which accompanies this notice and to complete, sign, date and deliver the form of proxy, together with the power of attorney or other authority, if any, under which it was signed (or a notarially certified copy thereof) to the Company's transfer agent, Computershare Investor Services Inc. ("**Computershare**"), 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1. *Non-registered shareholders* who receive the Circular and form of proxy through an intermediary must deliver the voting form provided in accordance with the instructions given by such intermediary. To be effective, proxies must be received by Computershare not later than Thursday, March 12, 2020 at 1:00 p.m. (Toronto time), or in the case of any adjournment of the Meeting not later than 48 hours prior to the Meeting, excluding Saturdays, Sundays and holidays, or any adjournment thereof.

DATED the 5<sup>th</sup> day of February, 2020.

By Order of the Board of Directors

"Oren Shuster"

**OREN SHUSTER,**  
**CHIEF EXECUTIVE OFFICER AND DIRECTOR**

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**IM CANNABIS CORP.**

**ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON MONDAY, MARCH 16, 2020**

**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS  
AND  
MANAGEMENT INFORMATION CIRCULAR**

**DATED FEBRUARY 5, 2020**

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*This management information circular and the accompanying materials require your immediate attention. If you are in doubt as to how to deal with these documents or the matters to which they refer, please consult your financial, legal, tax or other professional advisor.*

**IM CANNABIS CORP.**

**Notice of Annual General Meeting of Shareholders March 16, 2020**

Notice is hereby given that the annual general meeting (the "**Meeting**") of the holders of common shares of **IM CANNABIS CORP.** (the "**Company**") will be held at the offices of Gowling WLG (Canada) LLP, Suite 1600, 1 First Canadian Place, 100 King Street West, Toronto, Ontario, Canada on Monday, March 16, 2020 at 1:00 p.m. (Toronto time) for the following purposes:

- (1) to receive the Company's consolidated audited financial statements as at and for the financial years ended April 30, 2019 and 2018 and the auditors' report thereon, a copy of which is enclosed herewith if so requested or available on [www.sedar.com](http://www.sedar.com);
- (2) to fix the number of directors of the Company at five;
- (3) to elect directors of the Company for the ensuing year;
- (4) to appoint an auditor for the Company and to authorize the board of directors to fix their remuneration;
- (5) consider, and if thought fit, to pass an ordinary resolution to re-approve the Company's stock option plan; and
- (6) to transact such other business as may properly come before the Meeting or any adjournment thereof.

The specific details of the foregoing matters to be put before the Meeting are set forth in the management information circular ("**Circular**") accompanying this Notice of Meeting.

Shareholders are invited to attend the Meeting. *Registered shareholders* who are unable to attend the Meeting in person are requested to read the Circular and the form of proxy which accompanies this notice and to complete, sign, date and deliver the form of proxy, together with the power of attorney or other authority, if any, under which it was signed (or a notarially certified copy thereof) to the Company's transfer agent, Computershare Investor Services Inc. ("**Computershare**"), 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1. *Non-registered shareholders* who receive the Circular and form of proxy through an intermediary must deliver the voting form provided in accordance with the instructions given by such intermediary. To be effective, proxies must be received by Computershare not later than Thursday, March 12, 2020 at 1:00 p.m. (Toronto time), or in the case of any adjournment of the Meeting not later than 48 hours prior to the Meeting, excluding Saturdays, Sundays and holidays, or any adjournment thereof.

DATED the 5<sup>th</sup> day of February, 2020.

By Order of the Board of Directors

*"Oren Shuster"*

**OREN SHUSTER,**  
**CHIEF EXECUTIVE OFFICER AND DIRECTOR**

**IM CANNABIS CORP.**

**Management Information Circular  
for the Annual General Meeting of Shareholders March 16, 2020**

**PROXIES**

**Solicitation of Proxies**

**This Management Information Circular (the "Circular") is furnished in connection with the solicitation, by or on behalf of the management of IM Cannabis Corp. (the "Company"), of proxies to be used at the Company's annual general meeting of the holders of common shares (the "Common Shares" or "Shares") to be held at 1:00 p.m. (Toronto time) on Monday, March 16, 2020 (the "Meeting") or at any adjournment thereof.** It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally, by advertisement or by telephone, by directors, officers or employees of the Company without special compensation, or by the Company's transfer agent, Computershare Investor Services Inc. ("Computershare") at nominal cost. The cost of solicitation will be borne by the Company.

**Appointment of Proxyholder**

The person(s) designated by management of the Company in the enclosed form of proxy are directors or officers of the Company. **Each shareholder has the right to appoint as proxyholder a person or company (who need not be a shareholder of the Company) other than the person(s) or company(ies) designated by management of the Company in the enclosed form of proxy to attend and act on the shareholder's behalf at the Meeting or at any adjournment thereof.** Such right may be exercised by inserting the name of the person or company in the blank space provided in the enclosed form of proxy or by completing another form of proxy.

Registered shareholders who are unable to attend the Meeting in person are requested to read the Circular and the form of proxy which accompanies the Notice of Annual General Meeting of Shareholders (the "Notice of Meeting") and to complete, sign, date and deliver the form of proxy, together with the power of attorney or other authority, if any, under which it was signed (or a notarially certified copy thereof) to the Company's transfer agent, Computershare Investor Services Inc., 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, or by fax at 1-866-249-7775 (North America) / 1-416-263-9524 (International), Attention: Proxy Department. Non-registered shareholders who receive the Circular and form of proxy through an intermediary must deliver the proxy in accordance with the instructions given by such intermediary. To be effective, proxies must be received by Computershare not later than Thursday, March 12, 2020 at 1:00 p.m. (Toronto time), or in the case of any adjournment of the Meeting not later than 48 hours prior to the meeting, excluding Saturdays, Sundays and holidays, or any adjournment thereof.

**Revocation of Proxy**

A shareholder who has given a form of proxy may revoke it as to any matter on which a vote has not already been held pursuant to its authority by an instrument in writing executed by the shareholder or by the shareholder's attorney duly authorized in writing or, if the shareholder is a corporation, by an officer or attorney thereof duly authorized and deposited at either the above mentioned office of Computershare by no later than 48 hours prior to the Meeting, excluding Saturdays, Sundays and holidays, or any adjournment or postponement thereof, or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof. Notwithstanding the foregoing, if a registered shareholder attends personally at the Meeting, such shareholder may revoke the proxy and vote in person.

## Voting of Proxies

On any ballot that may be called for, the Common Shares represented by a properly executed proxy given in favour of the person(s) designated by management of the Company in the enclosed form of proxy will be voted or withheld from voting in accordance with the instructions given on the form of proxy, and if the shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the accompanying Notice of Meeting and with respect to other matters which may properly come before the Meeting or any adjournment thereof. As of the date of this Circular, management of the Company is not aware of any such amendment, variation or other matter to come before the Meeting. However, if any amendments or variations to matters identified in the accompanying Notice of Meeting or any other matters which are not now known to management should properly come before the Meeting or any adjournment thereof, the Common Shares represented by properly executed proxies given in favour of the person(s) designated by management of the Company in the enclosed form of proxy will be voted on such matters pursuant to such discretionary authority.

## Advice to Beneficial Shareholders

**The information set forth in this section is of importance to many shareholders, as a substantial number of shareholders do not hold Common Shares in their own name.** In many cases, Common Shares beneficially owned by a holder (a "**Beneficial Holder**") are registered either (a) in the name of an intermediary that the Beneficial Holder deals with in respect of the Common Shares. Intermediaries include banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIAs, RESPs and similar plans, or (b) in the name of a depository (such as Clearing and Depository Services Inc. or "**CDS**"). Beneficial Holders should note that only proxies deposited by shareholders who are registered shareholders (that is, shareholders whose names appear on the records maintained by the registrar and transfer agent for the Common Shares as registered holders of Common Shares) will be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Beneficial Holder by a broker, those Common Shares will, in all likelihood, not be registered in the shareholder's name. Such Common Shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS, which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers (or their agents or nominees) on behalf of a broker's client can only be voted at the direction of the Beneficial Holder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker's clients. **Therefore, each Beneficial Holder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy requires brokers and other intermediaries to forward meeting materials to Beneficial Holders, unless the Beneficial Holder has waived the right to receive them, and seek voting instructions from Beneficial Holders in advance of shareholders' meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Holders in order to ensure that their Common Shares are voted at the Meeting.

The voting instruction form supplied to such Beneficial Holders by their broker (or the agent of the broker) is substantially similar to the form of proxy provided directly to registered shareholders by the Company. However, its purpose is limited to instructing the registered shareholder (i.e., the broker or agent of the broker) on how to vote on behalf of the Beneficial Holder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("Broadridge") in Canada. Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Holders and asks Beneficial Holders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Holder who receives a Broadridge voting instruction form cannot use that form to vote Common Shares directly at the Meeting. The voting instruction forms must be returned to Broadridge (or instructions respecting the voting of Common Shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the Common Shares voted. If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

Although a Beneficial Holder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his or her broker, CDS & Co. or another intermediary, the Beneficial Holder may attend the Meeting as proxyholder and vote the Common Shares in that capacity. **Beneficial Holders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder, should enter their own names in the blank space on the voting instruction form provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.**

Beneficial Holders fall into two categories - those who object to their identity being known to the issuers of securities which they own ("OBOs") and those who do not object to their identity being made known to the issuers of the securities which they own ("NOBOs"). Subject to the provisions of National Instrument 54-101, issuers may request and obtain a list of their NOBOs from intermediaries directly or via their transfer agent and may obtain and use the NOBO list for the distribution of proxy-related materials to such NOBOs. If you are a NOBO and the Company or Computershare has sent the meeting materials directly to you, your name, address and information about your holdings of Common Shares have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding the Common Shares on your behalf. The Company's OBOs can expect to be contacted by their respective intermediaries. The Company does not intend to pay for intermediaries to deliver the meeting materials to OBOs.

All references to shareholders in this Circular and the accompanying form of proxy and Notice of Meeting are to registered shareholders unless specifically stated otherwise.

## VOTING SHARES

### Voting Shares

As at the close of business on February 5, 2020, the Company had 145,743,283 Common Shares outstanding, each carrying the right to one vote per share. Except as otherwise noted in this Circular, a simple majority of the votes cast at the Meeting, whether in person, by proxy or otherwise, will constitute approval of any matter submitted to a vote. All shareholders have the right to vote for directors. The persons named in the accompanying form of proxy will vote the Common Shares in respect of which they are appointed in accordance with the direction of the shareholder appointing them. **In the absence of such direction, those Common Shares will be voted in favour of ("FOR") all resolutions.**

**Record Date**

The board of directors of the Company (the "**Board of Directors**" or the "**Board**") has fixed February 5, 2020 as the record date (the "**Record Date**") for the purpose of determining holders of Common Shares entitled to receive notice of and to vote at the Meeting. Any holder of Common Shares of record at the close of business on the Record Date is entitled to vote the Common Shares registered in such shareholder's name at that date on each matter to be acted upon at the Meeting.

**Principal Shareholders**

To the knowledge of the directors and executive officers of the Company, as at the date of this Circular, no person beneficially owned, directly or indirectly, or exercised control or direction over 10% or more of the voting rights attached to the outstanding Common Shares of the Company except as stated below.

Name	Aggregate Number of Common Shares	Percentage of Outstanding Common Shares
Oren Shuster	36,534,409	25.07%
Rafael Gabay	32,558,139	22.34%

**MATTERS TO BE ACTED UPON AT MEETING****1. Financial Statements**

The consolidated audited financial statements for the years ended April 30, 2019 and 2018 of the Company together with the auditors' report thereon have been delivered to the holders of Common Shares or are enclosed herewith. No formal action will be taken at the Meeting to approve the financial statements. If any holder of Common Shares has questions respecting the financial statements, the questions may be brought forward at the Meeting.

**2. Fixing the Number of Directors**

The Company is required to have a minimum of three directors. At the Meeting, shareholders will be asked to fix the number of directors of the Company at five.

**In the absence of a contrary instruction, the person(s) designated by management of the Company in the enclosed form of proxy intend to vote FOR the fixing of the number of directors of the Company at five.**

**3. Election of Directors**

Under the articles of the Company, directors of the Company are elected annually. Each director will hold office until the next annual general meeting or until the successor of such director is duly elected or appointed, unless such office is earlier vacated in accordance with the articles.



**In the absence of a contrary instruction, the person(s) designated by management of the Company in the enclosed form of proxy intend to vote FOR the election as directors of the proposed nominees whose names are set forth below.** Management does not contemplate that any of the proposed nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the Common Shares represented by properly executed proxies given in favour of such nominee(s) may be voted by the person(s) designated by management of the Company in the enclosed form of proxy, in their discretion, in favour of another nominee.

The following table sets forth information with respect to each person proposed to be nominated for election as a director, including the number of Common Shares of the Company beneficially owned, directly or indirectly, or over which control or direction was exercised, by such person or the person's associates or affiliates as at the date of this Circular. The information as to Common Shares beneficially owned or over which control or direction is exercised, not being within the knowledge of the Company, has been furnished by the respective proposed nominees individually.

<b>Nominee Name and Place of Residence</b>	<b>Present and Principal Occupation, Business or Employment for Previous 5 years</b>	<b>Became Director</b>	<b>Number of Common Shares beneficially owned, controlled or directed</b>
Oren Shuster <sup>(1)</sup> Ra'anana, Israel	CEO of the Company since October 11, 2019; CEO of I.M.C. Holdings Ltd. since 2018; CEO of Focus Medical Herbs Ltd. since 2008; Co-CEO of Ewave Group Ltd. since 1999.	October 11, 2019	36,534,409
Marc Lustig West Vancouver, British Columbia, Canada	Non-Executive Chairman of the Company since 2019; Founder, Chairman and Chief Executive Officer of CannaRoyalty Corp. (dba Origin House) since 2016; Head of Capital Markets at Dundee Capital Markets from 2012 to 2014.	October 11, 2019	1,575,213
Steven Mintz <sup>(1)</sup> Toronto, Ontario, Canada	Chief Financial Officer of the Company from May 2018 to October 2019; President of St. Germain Capital Corp. since 1998; Principal and CFO of Minkids Group since 2015.	October 12, 2018	791,348
Rafael Gabay Ganot, Israel	Chairman and Co-Founder of the Ewave Group Ltd. since 1999.	N/A	32,558,139
Vivian Bercovici <sup>(1)</sup> Tel Aviv, Israel	Independent consultant since 2018; Managing Director, Israel and Europe of Nuuvera Inc. from March 2017 to March 2018; Canadian Ambassador to Israel from January 2014 to June 2016.	N/A	Nil

(1) Member of the Audit Committee.

#### *Biographies of Proposed New Directors*

##### Rafael Gabay

Mr. Gabay has more than 20 years of experience in management positions in the technology sector. Mr. Gabay is currently the Chairman and Co-Founder of Ewave Group Ltd. ("Ewave") and has held these roles since the company's inception in 1999. Ewave is an international software house that employs more than 1,000 software professionals and operates in the United States of America, Europe, Brazil, India and Israel. Through Ewave, Mr. Gabay owns and manages a portfolio of companies in various fields including real estate, internet of things, healthcare and mobile technology. Mr. Gabay holds a Bachelor of Arts in business management law with honours from The College of Management Academic Studies in Israel.

Vivian Bercovici

Ms. Bercovici is currently a consultant to various medical cannabis and medical device entities regarding operational issues and market opportunities in Israel, Europe and Canada. From March 2017 to March 2018, Ms. Bercovici was the Managing Director, Europe and Israel at Nuuvera Inc., a Toronto-based medical cannabis company that was acquired by Aphria Inc. Also, Ms. Bercovici served as Canada's Ambassador to Israel from 2014 through 2016, having been appointed by then Prime Minister Stephen Harper. Ms. Bercovici quickly established a reputation as a highly engaged, articulate and personable diplomat and an effective advocate for strengthening Canada-Israel relations. 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.

*Corporate Cease Trade Orders or Bankruptcies*

No person proposed to be nominated for election as a director at the Meeting is or has been, within the preceding ten years, 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 such company access to any exemptions under applicable securities legislation that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer, or
- (b) was the subject of a cease trade or similar order, or an order that denied such company access to any exemptions under applicable securities legislation that was issued after the proposed director 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.

No person proposed to be nominated for election as a director at the Meeting is or has been, within the preceding ten years, 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.

No person proposed to be nominated for election as a director at the Meeting is or has, within the preceding ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or has 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 such person.

*Penalties and Sanctions*

No proposed director of the Company has been subject to any: (a) 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) other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

#### 4. Appointment of Independent Auditors

On January 16, 2020, Dale Matheson Carr-Hilton Labonte LLP ("DMCL"), the former auditors of the Company, resigned at the request of the Board of Directors. The Board of Directors appointed Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global ("Ernst & Young") as auditors of the Company effective January 16, 2020, to fill the vacancy created thereby. In accordance with the provisions of National Instrument 51-102 Continuous Disclosure Obligations ("NI 51-102"), copies of the Company's Notice of Change of Auditor and each of the letters provided by both DMCL and Ernst & Young in response (collectively, the "Reporting Package", which was filed on SEDAR) are attached hereto as Schedule "A". The Reporting Package has been reviewed and approved by the Board of Directors of the Company. The audit report of DMCL on the financial statements for the financial year ended April 30, 2019 and 2018 did not contain any reservation.

At the Meeting, shareholders will be asked to vote for the appointment of Ernst & Young, as the Company's auditors, to hold office until the next annual general meeting of the shareholders, at a remuneration to be fixed by the Board of Directors. **In the absence of a contrary instruction, the person(s) designated by management of the Company in the enclosed form of proxy intend to vote FOR the appointment of Ernst & Young as the auditors of the Company, at a remuneration to be determined by the Board of Directors.**

#### 5. Re-approval of the Stock Option Plan

The Company's stock option plan (the "Stock Option Plan") is a rolling stock option plan. The Stock Option Plan provides that the Board of Directors may from time to time, in its discretion, grant options to acquire Common Shares ("Options") to directors, executive officers and employees of the Company and its affiliates and to consultants, consultant companies and management company employees (each an "Optionee"), provided that the Common Shares that may be reserved for issuance under the Stock Option Plan (the "Plan Shares") at any point in time will not be greater than 10% of the issued and outstanding Common Shares at the time the Plan Shares are reserved for issuance as a result of the grant of an Option. The purpose of the Stock Option Plan is to provide an incentive to Optionees to acquire a proprietary interest in the Company, to continue their participation in the affairs of the Company and to increase their efforts on behalf of the Company. A copy of the Stock Option Plan is attached hereto as Schedule "B".

In accordance with the policies of the Canadian Securities Exchange (the "CSE"), the Stock Option Plan is subject to the limitations imposed by Sections 2.24 and 2.25 of National Instrument 45-106 - *Prospectus Exemptions*.

Options issued pursuant to the Stock Option Plan will have an exercise price determined by the Board of Directors provided that the exercise price will not be less than the greater of the closing market prices of the underlying securities on (a) the trading day prior to the date of grant of the Options; and (b) the date of grant of the Options.

The vesting of the Options is at the discretion of the Board of Directors, except in the case of an Optionee performing investor relations activities, in which case the Stock Option Plan requires that Options vest over a minimum of 12 months with no more than one quarter of such Options vesting during any three month period. Options will vest immediately in the absence of a vesting schedule being specified at the time of grant. Where applicable, vesting of Options will generally be subject to:

- (a) an Optionee remaining employed by or continuing to provide services to the Company or any of its affiliates as well as the achievement of certain milestones which may be defined by the Board from time to time or receiving a satisfactory performance review by the Company; or
- (b) an Optionee remaining as a director of the Company or any of its affiliates, as applicable.

Options will expire 30 days (or such other time, not to exceed six months, as shall be determined by the Board of Directors and the Optionee at any time prior to the expiry of the Option) following the date the Optionee ceases to be a director, officer or employee of the Company or its affiliates or a consultant, consultant company or a management company employee, provided that if the cessation of such position or arrangement was by reason of death, the Option may be exercised within a maximum period of one year after such death, subject to the expiry date of such Option. Options are exercisable for a maximum of 10 years from the date of grant.

In the event that the Stock Option Plan is not re-approved by shareholders at the Meeting, the Company will not have an operative stock option plan and therefore the Board of Directors will not be able to issue additional Options until such time as another stock option plan is created and approved, and may consequently have difficulty attracting and retaining high caliber personnel. However, whether or not the Stock Option Plan is re-approved, all Options currently outstanding under the Stock Option Plan will remain in effect in accordance with their terms.

As of the date of this Circular, there are 12,650,000 Options to purchase 12,650,000 Common Shares currently issued and outstanding.

At the Meeting, shareholders will be asked to consider, and, if deemed advisable, to approve, with or without variation, an ordinary resolution re-approving the Stock Option Plan. The text of the ordinary resolution which management intends to place before the Meeting for the approval of the Stock Option Plan is as follows:

**"BE IT HEREBY RESOLVED** as an ordinary resolution of the shareholders of IM Cannabis Corp. (the "**Company**") that:

1. the Stock Option Plan of the Company, as substantially described in the management information circular of the Company dated February 5, 2020, be and is hereby confirmed, ratified and approved as the stock option plan of the Company;
2. the number of common shares reserved for issuance under the Stock Option Plan shall be no more than 10% of the Company's issued and outstanding share capital at the time of any stock option grant;
3. the Company is hereby authorized and directed to issue such common shares pursuant to the Stock Option Plan as fully paid non-assessable common shares of the Company;
4. the Board of Directors of the Company be and are authorized to make any changes to the Stock Option Plan as may be required by the Canadian Securities Exchange; and
5. any one director or officer of the Company is authorized and directed, on behalf of the Company, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Company or otherwise) that may be necessary or desirable to give effect to this ordinary resolution."

The foregoing ordinary resolution must be approved by a simple majority of the votes cast at the Meeting by the holders of Common Shares voting in person or by proxy. **The Board of Directors believes the passing of the above resolution is in the best interests of the Company and recommends that the holders of Common Shares vote FOR the resolution. Unless otherwise directed, it is the intention of the persons designated in the enclosed form of proxy to vote FOR the ordinary resolution approving the Stock Option Plan for the ensuing year.**

## 6. Other Business

The directors and officers of the Company are not aware of any matters, other than those indicated in this Circular, which may be submitted to the Meeting for action. However, if any other matters should properly be brought before the Meeting, the enclosed form of proxy confers discretionary authority to vote on such other matters according to the best judgment of the person holding the proxy at the Meeting.

### STATEMENT OF EXECUTIVE COMPENSATION

Under applicable securities legislation, the Company is required to disclose certain financial and other information relating to the compensation of the Chief Executive Officer, the Chief Financial Officer and the most highly compensated executive officer of the Company as at the date of this Circular whose total compensation was more than \$150,000 for the financial year of the Company ended April 30, 2019, other than the Chief Executive Officer and Chief Financial Officer (collectively the "**Named Executive Officers**"), and for the directors of the Company.

#### Summary Compensation Table

The following table (presented in accordance with Form 51-102F6V-*Statement of Executive Compensation-Venture Issuers* ("**Form 51-102F6V**") under National Instrument 51-102-*Continuous Disclosure Obligations*) ("**NI 51-102**") sets out all direct and indirect compensation for, or in connection with, services provided to the Company and its subsidiaries for the two most recently completed financial years of the Company ended April 30, 2019 and April 30, 2018, in respect of the Named Executive Officers as well as the directors of the Company.

TABLE OF COMPENSATION EXCLUDING COMPENSATION SECURITIES							
Name and Position	Year	Salary, Consulting Fee, Retainer or Commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites (\$)	Value of all Other Compensation (\$)	Total Compensation (\$)
Michael Lerner <sup>(1)</sup> <i>CEO and Director</i>	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil
Navjit Dhaliwal <sup>(2)</sup> <i>CFO and Director</i>	2019	\$6,766	Nil	Nil	Nil	Nil	\$6,766
	2018	Nil	Nil	Nil	Nil	Nil	Nil
Steven Mintz <sup>(3)</sup> <i>CFO and Director</i>	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil
Tim Towers <sup>(4)</sup> <i>Director</i>	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil

TABLE OF COMPENSATION EXCLUDING COMPENSATION SECURITIES							
Name and Position	Year	Salary, Consulting Fee, Retainer or Commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites (\$)	Value of all Other Compensation (\$)	Total Compensation (\$)
Balu Gopalakrishnan <sup>(5)</sup> <i>Director</i>	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil

(1) Mr. Lerner was appointed as CEO and director as of February 10, 2017. Mr. Lerner resigned on October 12, 2018. Mr. Lerner was not paid compensation for his director role.

(2) Mr. Dhaliwal was appointed as CFO and director as of March 10, 2017. Mr. Dhaliwal resigned as CFO on May 16, 2018 and as a director on July 31, 2018. Mr. Dhaliwal was not paid compensation for his director role.

(3) Mr. Mintz was appointed as CFO on May 16, 2018 and as director on October 12, 2018. Mr. Mintz resigned as CFO on October 11, 2019 in connection with the closing of the RTO Transaction with IMC (each as defined herein).

(4) Mr. Towers resigned on July 31, 2018.

(5) Mr. Gopalakrishnan was appointed as director on July 31, 2018. Mr. Gopalakrishnan resigned on October 11, 2019 in connection with the closing of the RTO Transaction with IMC (each as defined herein).

#### *Stock Options and Other Compensation Securities*

There were no compensation securities granted or issued to any director by the Company or its subsidiaries during the financial year ended April 30, 2019 for services provided or to be provided, directly or indirectly, to the Company or any of its subsidiaries.

#### *Stock Option Plans and Other Incentive Plans*

The Stock Option Plan comprises the Company's only form of security-based incentive compensation plan. For further information regarding the Stock Option Plan, see above, *Section 4. "Re-approval of the Stock Option Plan"*.

#### *Employment, Consulting and Management Agreements*

The Company did not enter into any agreements with employees, consultants or directors with respect to management of the Company during the financial year ended April 30, 2019.

### **Compensation Discussion and Analysis**

#### *Introduction*

The Compensation Discussion and Analysis section of this Circular sets out the objectives of the Company's executive compensation arrangements, the Company's executive compensation philosophy and the application of this philosophy to the Company's executive compensation arrangements.

When determining the compensation arrangements for the Named Executive Officers and directors, the Board considers the objectives of: (i) retaining an executive critical to the success of the Company and the enhancement of shareholder value; (ii) providing fair and competitive compensation; (iii) balancing the interests of management and shareholders of the Company; and

(iv) rewarding performance, both on an individual basis and with respect to the business in general.

#### *Benchmarking*

In determining the compensation level for each executive, the Board looks at factors such as the relative complexity of the executive's role within the organization, the executive's performance and potential for future advancement, the compensation paid by other companies in the same industry as the Company, and pay equity considerations.

### *Elements of Compensation*

The compensation paid to the Named Executive Officers and directors in any year consists of two (2) primary components:

1. base salary; and
2. long-term incentives in the form of Options granted under the Stock Option Plan.

The Company believes that making a significant portion of the Named Executive Officers' and directors' compensation based on long-term incentives supports the Company's executive compensation philosophy, as these forms of compensation allow those most accountable for the Company's long-term success to acquire and hold the Company's shares. The key features of these two primary components of compensation are discussed below:

#### 1. Base Salary

Base salary recognizes the value of an individual to the Company based on his or her role, skill, performance, contributions, leadership and potential. It is critical in attracting and retaining executive talent in the markets in which the Company competes for talent. Base salaries for the Named Executive Officers and directors are reviewed annually. Any change in the base salary of a Named Executive Officer or a director is generally determined by an assessment of such executive's performance, a consideration of competitive compensation levels in companies similar to the Company and a review of the performance of the Company as a whole and the role such executive officer played in such corporate performance.

#### 2. Stock Option Awards

The Company provides long-term incentives to the Named Executive Officers and directors in the form of Options as part of its overall executive compensation strategy (for a description of the material terms of the Stock Option Plan, see "Re-approval of the Stock Option Plan" above). The Board believes that Option grants serve the Company's executive compensation philosophy in several ways: they help attract, retain, and motivate talent; they align the interests of the Named Executive Officers and directors with those of the shareholders by linking a specific portion of the officer's total pay opportunity to share price; and they provide long-term accountability for Named Executive Officers and directors.

The Company does not have any policies which permit or prohibit a Named Executive Officer or director to purchase financial instruments.

### **Pension Disclosure**

There are no pension plan benefits in place for the Named Executive Officers or the directors of the Company.

## EQUITY COMPENSATION PLAN INFORMATION

No option-based or share-based awards were granted, vested or earned during the year ended April 30, 2019.

The following table sets out information concerning the number and price of securities to be issued under equity compensation plans to employees and others as at April 30, 2019.

Plan Category	Number of Securities to be Issued upon Exercise of Options, Warrants and Rights	Weighted - Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity Compensation Plans Approved by Securityholders	Nil	N/A	Nil
Equity Compensation Plans Not Approved by Securityholders	Nil	N/A	Nil
<b>Total</b>	Nil	N/A	Nil

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No directors, officers or employees of the Company, nor any proposed nominee for election as a director of the Company, nor any associate of any one of them, nor any former directors, officers or employees is or was indebted, directly or indirectly, to the Company or its subsidiaries at any time since the beginning of the financial period ended April 30, 2019.

## AUDIT COMMITTEE

Under National Instrument 52-110 - *Audit Committees* ("NI 52-110"), the Company is required to include in this Circular the disclosure required under Form 52-110F2 with respect to the audit committee (the "**Audit Committee**") of the Board, including the composition of the Audit Committee, the text of the Audit Committee charter (attached hereto as Schedule "C"), and the fees paid to the external auditor.

### Composition of the Audit Committee

The following are the current members of the Audit Committee:

Name	Independence <sup>(1)</sup>	Financial Literacy
Oren Shuster	Non-Independent <sup>(2)</sup>	Financially Literate
Steven Mintz	Non-Independent <sup>(3)</sup>	Financially Literate
Vivian Bercovici	Independent	Financially Literate

(1) The Company is a "venture issuer" for the purposes of NI 52-110. As such, the Company is exempt from the requirement to have the Audit Committee comprised entirely of independent members.

(2) Oren Shuster is not independent by virtue of serving as the chief executive officer of the Company.

(3) Steven Mintz is not independent by virtue of having served as the Chief Executive Officer and the Chief Financial Officer of the Company in the last three years.



## Relevant Education and Experience

### *Oren Shuster*

Mr. Shuster is a leading figure in the medical cannabis industry in Israel and the co-founder of IMC (as defined herein). Mr. Shuster is a successful serial entrepreneur in the fields of global software development, technology, med-tech and more. Mr. Shuster co-founded E-wave, an international software house, in 1999. E-wave employs more than 1,000 experienced software professionals, operating in the USA, Europe, Brazil, India and Israel. Oren holds a Bachelor of Arts in business management and economics from Tel-Aviv University.

### *Steven Mintz*

Mr. Mintz, CPA, is a financial consultant in a variety of industries including mining, oil and gas, real estate and cannabis. He is currently President of St. Germain Capital Corp. a private consulting and investment firm as well as Principal and CFO of the Minkids Group, a family investment and real estate development company since 2015. Mr. Mintz's experience spans a variety of financial and management areas of expertise from accounting in large firms to bankruptcy and insolvency. Mr. Mintz has been operating as an investor and shareholder in the cannabis space for 4 years. He has conducted due diligence on many active companies and completed several business combinations of companies. Mr. Mintz obtained his Chartered Accountant designation in 1992 and Trustee in Bankruptcy license in 1995. Mr. Mintz is currently a director of several public companies.

### *Vivian Bercovici*

Ms. Bercovici is currently a consultant to various medical cannabis and medical device entities regarding operational issues and market opportunities in Israel, Europe and Canada. Prior, from March 2017 to March 2018, Ms. Bercovici was the Managing Director, Israel and Europe operation at Nuvera Inc., a Toronto-based medical cannabis company that was acquired by Aphria Inc. Also, Ms. Bercovici served as Canada's Ambassador to Israel from 2014 through 2016, having been appointed by then Prime Minister Stephen Harper. Ms. Bercovici quickly established a reputation as a highly engaged, articulate and personable diplomat and an effective advocate for the strong Canada-Israel relationship. 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 Company's most recently completed financial period 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 Company's most recently completed financial period has the Company relied on the exemption in:

- (a) Section 2.4 of NI 52-110 (*De Minimis Non-audit Services*);

- (b) Subsection 6.1.1(4) of NI 52-110 (*Circumstances Affecting the Business or Operations of the Venture Issuer*);
- (c) Subsection 6.1.1(5) of NI 52-110 (*Events Outside Control of Member*);
- (d) Subsection 6.1.1(6) of NI 52-110 (*Death, Incapacity or Resignation*); or
- (e) an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

The Company is relying on the exemption provided in Section 6.1 of NI 52-110 as the Company is a "venture issuer". As a result, the Company is exempt from the requirements of Part 3 (*Composition of Audit Committee*) and Part 5 (*Reporting Obligations*) 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 "C" attached hereto.

#### **External Auditor Service Fees (By Category)**

The following table discloses the fees billed to the Company by its external auditor for the two most recently completed financial years:

<b>Financial Period Ended</b>	<b>Audit Fees<sup>(1)</sup></b>	<b>Audit-Related Fees<sup>(2)</sup></b>	<b>Tax Fees<sup>(3)</sup></b>	<b>All Other Fees</b>
April 30, 2019	\$16,013.00	Nil	Nil	Nil
April 30, 2018	\$11,245.50	Nil	Nil	Nil

- (1) "Audit Fees" includes fees for the performance of the annual audit and for accounting consultations on matters reflected in the financial statements.
- (2) "Audit-Related Fees" includes fees for assurance and related services, related to the performance of the review of the financial statements including fees for AIF and "earn-in" audit work that are not reported under Audit Fees.
- (3) "Tax Fees" includes the fees paid for tax compliance, tax planning and tax advice.

#### **INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than as disclosed below, no director or officer of the Company, nor any proposed nominee for election as a director of the Company, nor any other insider of the Company, nor any associate or affiliate of any one of them, has or has had, at any time since the beginning of the financial period ended April 30, 2019, any material interest, direct or indirect, in any transaction or proposed transaction that has materially affected or would materially affect the Company.

Steven Mintz, a director and former Chief Executive Officer and Chief Financial Officer of the Company, had a material interest in the Company's debt settlement that closed June 26, 2018, wherein the Company issued an aggregate of 5,712,666 Common Shares at a price of \$0.05 per Common Share in settlement of an aggregate of \$285,633 in debt (the "**Debt Settlement**"), being that Mr. Mintz acquired 344,005 of such Common Shares. Further details on the Debt Settlement can be found in the Company's news release dated June 26, 2018.

Marc Lustig, a director and the Non-Executive Chairman of the Company, had a material interest in the Debt Settlement, wherein he acquired 820,826 Common Shares.

Messrs. Oren Shuster, Marc Lustig, Steven Mintz, Jesse Kaplan, Shai Shemesh, Amir Goldstein, Ms. Yael Harrosh and Mr. Rafael Gabay (collectively, the "**RTO Informed Persons**") had a material interest in the Company's reverse takeover transaction (the "**RTO Transaction**") with I.M.C. Holdings Ltd. ("**IMC**") that closed on October 11, 2019. The RTO Transaction was effected by way of a "triangular merger" between the Company, IMC and a wholly-owned subsidiary of the Company pursuant to Israeli statutory law. In connection with the closing of the RTO Transaction, the Company consolidated its then-outstanding Common Shares on a 1:2.83 basis, changed its name to "IM Cannabis Corp." and changed its business from mining to the medical cannabis industry.

At closing of the RTO Transaction, the Board of Directors of the Company was reconstituted to consist of Messrs. Shuster, Mintz, Lustig and Kaplan, with Mr. Shuster also acting as Chief Executive Officer, and Mr. Lustig acting as Non-Executive Chairman. Mr. Shemesh was appointed Chief Financial Officer, Mr. Goldstein was appointed Chief Operating Officer and Ms. Harrosh was appointed Corporate Secretary. Mr. Gabay became an insider of the Company by virtue of owning more than 10% of the Company's outstanding Common Shares.

As part of the RTO Transaction, the Company, through a wholly-owned subsidiary, completed a private placement of 19,460,527 subscription receipts each consisting of one common share and one-half of one common share purchase warrant (the "**Subscription Receipts**") for aggregate proceeds of \$20,433,553.35 (the "**2019 Financing**"). Upon closing of the RTO Transaction, the Subscription Receipts were exchanged on a 1:1 basis for Common Shares and common share purchase warrants ("**Warrants**") of the Company. A total of 19,460,527 Common Shares and 9,730,258 Warrants were issued pursuant to the 2019 Financing and converted into Common Shares and Warrants upon completion of the RTO Transaction.

At completion of the RTO Transaction, former holders of IMC ordinary shares held approximately 84.28% of the issued and outstanding Common Shares, former holders of Subscription Receipts from the 2019 Financing held approximately 13.35% of the Common Shares and pre-RTO Transaction shareholders held 2.37% of the Common Shares, in each case, on a non-diluted basis. As at the closing of the RTO Transaction, the RTO Informed Persons held the following securities of the Company:

Name and Municipality of Residence	Position with Company	Number and Percentage of Common Shares Owned, Beneficially Held or Controlled at closing of the RTO Transaction <sup>(1)(2)</sup>
Oren Shuster	Chief Executive Officer and Director	36,534,409 (25.07%)
Shai Shemesh	Chief Financial Officer	47,619 (<1%)
Amir Goldstein	Chief Operating Officer	225,000 (<1%)
Yael Harrosh	Corporate Secretary	Nil
Jesse Kaplan <sup>(3)</sup>	Director	1,250,000 (<1%)
Steven Mintz	Director	791,348 (<1%)
Marc Lustig	Non-Executive Chairman and Director	1,575,213 (1.08%)
Rafael Gabay	Insider	32,558,139 (22.34%)

- (1) Calculated based on 145,743,283 Common Shares issued and outstanding.
- (2) Does not include the 37,879,467 Common Shares issuable on the exercise of outstanding Options, Warrants and compensation options.
- (3) 125,000 Common Shares held directly by Jesse Kaplan; 625,000 Common Shares held by Rocfrim, an entity of which 25% is owned by Jesse Kaplan; and 500,000 Common Shares held by Seek Capital Opportunity Partnership, an entity of which 12.5% is owned by Jesse Kaplan.

On November 5, 2019, the Common Shares commenced trading on the CSE under the ticker "IMCC".

Further details pertaining to the RTO Transaction and the 2019 Financing are disclosed in the Company's news releases dated September 3, 2019, October 4, 2019, October 8, 2019, October 9, 2019, October 11, 2019, November 1, 2019 and November 5, 2019.

#### **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

Other than as disclosed in this Circular, no person who has been a director or officer of the Company at any time since the beginning of the Company's most recently completed financial year, nor any proposed nominee for election as a director of the Company, nor any associate or affiliate of any of them, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting.

#### **CORPORATE GOVERNANCE**

The Board views effective corporate governance as an essential element for the effective and efficient operation of the Company. The Company believes that effective corporate governance improves corporate performance and benefits all of its Shareholders. The following statement of corporate governance practices sets out the Board's review of the Company's governance practices relative to Form 58-101F2 under National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("NI 58-101") and National Policy 58-201 - *Corporate Governance Guidelines*.

##### **Board of Directors**

The Board is responsible for supervising the management of the business and affairs of the Company. The independent directors, as such term is defined in NI 58-101 and NI 52-110, are Marc Lustig and, if elected, Vivian Bercovici. Oren Shuster is not independent by virtue of being the current Chief Executive Officer of the Company. If elected, Rafael Gabay is not independent by virtue of being a control person of the Company. Steven Mintz is not independent by virtue of having been an executive officer of the Company within the last three (3) years. The Board facilitates its exercise of independent supervision through regular meetings of the Board, including meetings without the non-independent directors in attendance.

The Board has plenary power to manage and supervise the management of the business and affairs of the Company and to act in the best interest of the Company. The Board is responsible for the overall stewardship of the Company and approves all significant decisions that affect the Company before they are implemented. The Board also considers their implementation and reviews the results. Any related party transaction as such term is defined in Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"), is subject to review by the independent directors of the Company.

### Other Reporting Issuer Experience

Certain of the Company's nominee directors are currently directors of other reporting issuers (or equivalent) in a jurisdiction or a foreign jurisdiction as follows:

Name	Name of Reporting Issuer	Name of Exchange or Market	Position	From	To
Marc Lustig	National Access Cannabis Corp.	TSXV	Director	6/2014	Present
	Trichome Financial Corp. (formerly 22 Capital Corp.)	TSXV	Chairman and Director	5/2017	Present
	Planet 13 Holdings Inc.	CSE	Director	8/2017	8/2019
	CannaRoyalty Corp.	CSE	Director	12/2016	Present
Steven Mintz	Pool Safe Inc.	TSXV	CFO and Director	9/2009	Present
	Everton Resources Inc.	TSXV	Director	5/2013	Present
	Portage Biotech Inc.	CSE	Director	4/2016	Present
	Trichome Financial Corp. (formerly 22 Capital Corp.)	TSXV	President and Director	4/2017	10/2019
	Mooncor Oil and Gas Corp.	TSXV	Director	11/2016	7/2018
	ThreeD Capital Inc. (formerly Brownstone Energy Inc.)	CSE	Director	6/2005	4/2017
	Beleave Inc. (formerly Stream Ventures Inc.)	CSE	President and Director	11/2010	12/2015
	Hampton Financial Corporation (formerly Dominion General Investment Corporation)	TSXV	President and Director	10/2014	7/2016

### Orientation and Continuing Education of Board Members

The Company currently does not have any formal orientation or continuing education programs in place for new directors.

### Ethical Business Conduct

The Board is of the view that the fiduciary duties placed on individual directors pursuant to corporate legislation and the common law, and the conflict of interest provisions under corporate legislation which restricts an individual director's participation in decisions of the Board in which the director has an interest, are sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

### Nomination of Directors

The size of the Board is reviewed annually when the Board considers the number of directors to recommend for election at the annual general meeting of Shareholders. The Board takes into account the number of directors required to carry out the Board duties effectively, and to maintain a diversity of view and experience.

### **Compensation of Directors and Officers**

The independent members of the Board review and determine the compensation of directors and officers. The Board meets at least annually to establish, administer and evaluate the compensation philosophy, policies and plans for directors and officers regarding director and executive compensation and to review the performance and determine the compensation of the CEO, based on criteria including the Company's performance and accomplishment of long-term strategic objectives, each individual officer's performance and comparable compensation paid to similarly-situated officers in comparable companies.

### **Other Board Committees**

As of the date of this Circular, the Board has no standing committees other than the Audit Committee.

### **Assessment of Directors, the Board and Board Committees**

The Board monitors the adequacy of information given to directors, the communications between the Board and management and the strategic direction and processes of the Board and its Audit Committee, to satisfy itself that the Board, its Audit Committee and its individual directors are performing effectively.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information about the Company is provided in the Company's comparative annual financial statements and MD&A for its most recently completed financial year.

Shareholders of the Company may request copies of the Company's financial statements and MD&A by contacting the Chief Financial Officer of the Company at +972-54-4331111.

### **OTHER MATERIAL FACTS**

Management knows of no other matters to come before the Meeting other than those referred to in the Notice of Meeting. Should any other matters properly come before the Meeting, the shares represented by the proxy solicited hereby will be voted on such matter in accordance with the best judgment of the persons voting by proxy.

\* \* \* \* \*

**SCHEDULE "A"**

**IM CANNABIS CORP.  
NOTICE OF CHANGE OF AUDITOR**

**TO:** Dale Matheson Carr-Hilton Labonte LLP

**AND TO:** Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global

**AND TO:** British Columbia Securities Commission Alberta Securities Commission  
Ontario Securities Commission Canadian Securities Exchange

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IM Cannabis Corp. (formerly Navasota Resources Inc.) (the **'Company'**) gives the following notice in accordance with 4.11 of National Instrument 51-102 *-Continuous Disclosure Obligations (NI 51-102)*:

1. The Company has decided to change its auditor from Dale Matheson Carr-Hilton Labonte LLP (the **'Former Auditor'**) to Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global (the **"Successor Auditor"**). Consequently, on January 13, 2020, the Company asked the Former Auditor to resign. The Former Auditor submitted their resignation effective January 16, 2020. Pursuant to the *Business Corporations Act* (British Columbia), the directors are entitled to fill any casual vacancy in the office of the new auditor. The Successor Auditor has agreed to its appointment as the Company's new auditor.
2. The Former Auditor resigned at the Company's request.
3. The making of the Company's request for the Former Auditor to resign as auditor of the Company and the appointment of the Successor Auditor as auditor of the Company, were considered and approved by the Audit Committee of the Board of Directors of the Company and also by the Board of the Directors of the Company.
4. There were no modified opinions in the Former Auditor's reports in connection with the audits of the Company's two most recently completed fiscal years ended April 30, 2019 and 2018. There have been no further audits of financial statements subsequent to the Company's most recently completed fiscal year and ending on the date of the Former Auditor's resignation.
5. There are no "reportable events", as defined in NI 51-102.

**DATED** this 19<sup>th</sup> day of January, 2020.

**IM CANNABIS CORP. (FORMERLY NAVASOTA RESOURCES INC.)**

*"Oren Shuster"*

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**Name:** Oren Shuster  
**Title:** Chief Executive Officer



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

1500 - 1140 W. Pender Street  
Vancouver, BC V6E 4G1  
TEL 604.687.4747 | FAX 604.689.2778

January 20, 2020

**British Columbia Securities Commission**

P.O. Box 10142, Pacific Centre  
9th Floor - 701 West Georgia Street  
Vancouver, B.C. V7Y 1L2

**Canadian Securities Exchange**

9th Floor - 220 Bay Street  
Toronto, ON M5J 2W4

**Alberta Securities Commission**

Suite 600, 250 - 5th Street S.W.  
Calgary, Alberta T2P 0R4

**Ontario Securities Commission**

20 Queen Street West, 22nd Floor  
Toronto, ON M5H 3S8

Dear Sirs:

**Re: IM Cannabis Corp. (the "Company")**  
**Notice Pursuant to National Instrument 51-102 - Change of Auditor**

As required by the National Instrument 51-102 and in connection with our resignation as auditor of the Company, we have reviewed the information contained in the Company's Notice of Change of Auditor, dated January 19, 2020 and agree with the information contained therein, based upon our knowledge of the information relating to the said notice and of the Company at this time.

Yours very truly,

DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver • Tri-Cities • Surrey • Victoria

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**Kost Forer Gabbay & Kasierer**  
144 Menachem Begin Road, Building A  
Tel-Aviv 6492102, Israel  
Tel: +972-3-6232525  
ey.com

January 22, 2020

British Columbia Securities Commission  
Alberta Securities Commission  
Ontario Securities Commission  
Canadian Securities Exchange

**Re: IM Cannabis Corp. (formerly Navasota Resources Inc.) - Change of Auditor Notice dated January 19, 2020**

Dear Sirs / Mesdames:

Pursuant to Part 4.11 of National Instrument 51-102, *Continuous Disclosure Obligations*, we have reviewed the notice of change of auditor of IM Cannabis Corp. dated January 19, 2020 (the "Notice") and, based on our knowledge of such information at this time, we agree with the statements contained in the Notice pertaining to our firm.

Yours sincerely,

Kost Forer Gabbay & Kasierer  
A Member of Ernst & Young Global

cc: The Board of Directors, IM Cannabis Corp.

## **SCHEDULE "B"**

### **IM CANNABIS CORP. (formerly NAVASOTA RESOURCES INC.)**

#### **2020 Stock Option Incentive Plan**

#### **1. PURPOSE**

The purpose of this Stock Option Incentive Plan is to provide an incentive to Eligible Persons to acquire a proprietary interest in the Company, to continue their participation in the affairs of the Company and to increase their efforts on behalf of the Company.

#### **2. DEFINITIONS**

In this Plan, the following words have the following meanings:

- (a) "Board" means the Board of Directors of the Company;
  - (b) "Common Shares" means the Common Shares of the Company;
  - (c) "Company" means IM Cannabis Corp. (formerly Navasota Resources Inc.);
  - (d) "Consultant" has the meaning set out in the policies of the TSX Venture Exchange;
  - (e) "Disinterested Shareholders" means the shareholders of the Company who are not Insiders of the Company that qualify as Eligible Persons under the Plan, and associates of such Insiders;
  - (f) "Effective Date" means the day following the date upon which the Plan has been approved by the last to approve of the shareholders of the Company, the Board, the Exchange and any other regulatory authority having jurisdiction over the Company's securities;
  - (g) "Eligible Person" means any director, executive officer, employee, consultant or management company employee and their permitted assigns (as those terms are defined by the policies of the TSX Venture Exchange and/or National Instrument 45-106 as amended or replaced from time to time) of the Company or any affiliate of the Company;
  - (h) "Exchange" means the TSX Venture Exchange and any other stock exchange or stock quotation system on which the Common Shares trade;
  - (i) "Fair Market Value" means, as of any date, the value of the Common Shares, determined as follows:
    - (i) if the Common Shares are listed on the TSX Venture Exchange, the Fair Market Value shall be the last closing sales price for such shares as quoted on such Exchange for the market trading day immediately prior to the date of grant of the Option, less any discount permitted by the TSX Venture Exchange;
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- (ii) if the Common Shares are listed on an Exchange other than the TSX Venture Exchange, the fair market value shall be the closing sales price of such shares (or the closing bid, if no sales were reported) as quoted on such Exchange for the market trading day immediately prior to the time of determination less any discount permitted by such Exchange; and
- (iii) if the Common Shares are not listed on an Exchange, the Fair Market Value shall be determined in good faith by the Board;
- (j) "Insider" has the meaning assigned in the securities legislation applicable to the Company;
- (k) "Investor Relations Activities" has the meaning set out in the policies of the TSX Venture Exchange;
- (l) "Option" means the option granted to an Optionee under this Plan and the Option Agreement;
- (m) "Option Agreement" means such option agreement or agreements as is approved from time to time by the Board and as is not inconsistent with the terms of this Plan;
- (n) "Option Date" means the date of grant of an Option to an Optionee;
- (o) "Option Price" is the price at which the Optionee is entitled pursuant to the Plan and the Option Agreement to acquire Option Shares;
- (p) "Option Shares" means, subject to the provisions of Article 8 of this Plan, the Common Shares which the Optionee is entitled to acquire pursuant to this Plan and the applicable Option Agreement;
- (q) "Optionee" means a person to whom an Option has been granted; and
- (r) "Plan" means this 2020 Stock Option Incentive Plan.

### **3. ADMINISTRATION**

The Plan shall be administered by the Board, and subject to the rules of the Exchange from time to time and except as provided for herein, the Board shall have full authority to:

- (a) determine and designate from time to time those Eligible Persons to whom Options are to be granted and the number of Option Shares to be optioned to each such Eligible Person;
  - (b) determine the time or times when, and the manner in which, each Option shall be exercisable and the duration of the exercise period;
  - (c) determine from time to time the Option Price, provided such determination is not inconsistent with this Plan; and
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- (d) interpret the Plan and to make such rules and regulations and establish such procedures as it deems appropriate for the administration of the Plan, taking into consideration the recommendations of management.

#### **4. OPTIONEES**

Optionees must be Eligible Persons who, by the nature of their jobs or their participation in the affairs of the Company, in the opinion of the Board, are in a position to contribute to the success of the Company.

#### **5. EFFECTIVENESS AND TERMINATION OF PLAN**

The Plan shall be effective as of the Effective Date and shall terminate on the earlier of:

- (a) the date which is ten years from the Effective Date; and
- (b) such earlier date as the Board may determine.

Any Option outstanding under the Plan at the time of termination of the Plan shall remain in effect in accordance with the terms and conditions of the Plan and the Option Agreement.

#### **6. THE OPTION SHARES**

The aggregate number of Option Shares reserved for issuance under the Plan and Common Shares reserved for issuance under any other share compensation arrangement granted or made available by the Company from time to time may not exceed in aggregate 10% of the Company's Common Shares issued and outstanding at the time of grant.

#### **7. GRANTS, TERMS AND CONDITIONS OF OPTIONS**

Options may be granted by the Board at any time and from time to time prior to the termination of the Plan. Options granted pursuant to the Plan shall be contained in an Option Agreement and, except as hereinafter provided, shall be subject to the following terms and conditions:

- (a) Option Price

The Option Price shall be determined by the Board, provided that such price shall not be lower than the Fair Market Value of the Option Shares on the date of grant of the Option.

- (b) Duration and Exercise of Options

Except as otherwise provided elsewhere in this Plan, the Options shall be exercisable for a period, to be determined in each instance by the Board, not exceeding ten years from the Option Date. The Options must be exercised in accordance with this Plan and the Option Agreement.

Except as contemplated in (c) below, no Option may be exercised by an Optionee who was an Eligible Person at the time of grant of such Option unless the Optionee shall have been an Eligible Person continuously since the Option Date. Absence on leave, with the approval of the Company, shall not be considered an interruption of employment for the purpose of the Plan.

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(c) Termination

All rights to exercise Options shall terminate upon the earliest of:

- (i) the expiration date of the Option;
- (ii) the end of the period of time permitted for exercise of the Option (such period of time to not be in excess of six months), to be determined by the Board in each instance at the time of the grant of an Option) after the Optionee ceases to be an Eligible Person for any reason other than death, disability or cause; and if no such period of time is determined by the Board at the time of the grant, the 30th day after the Optionee ceases to be an Eligible Person for any reason other than death, disability or cause;
- (iii) the date on which the Optionee ceases to be an Eligible Person by reason or termination of the Optionee as an employee or consultant of the Company for cause (which, in the case of a consultant, includes any breach of an agreement between the Company and the consultant);
- (iv) the first anniversary of the date on which the Optionee ceases to be an Eligible Person by reason of termination of the Optionee as an employee or consultant on account of disability; or
- (v) the first anniversary of the date of death of the Optionee.

(d) Re-issuance of Options

Options which are cancelled or expire prior to exercise may be re-issued under the Plan without shareholder approval.

(e) Transferability of Option

Options are non-transferable and non-assignable.

(f) Other Terms and Conditions

The Option Agreement may contain such other provisions as the Board deems appropriate, provided such provisions are not inconsistent with the Plan and the requirements of the TSX Venture Exchange.

In addition, for as long as the Common Shares of the Company are listed on the TSX Venture Exchange, the Company shall comply with the following requirements:

- (i) Options to acquire more than 2% of the issued and outstanding Common Shares of the Company may not be granted to any one consultant in any 12 month period;
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- (ii) Options to acquire more than an aggregate of 2% of the issued and outstanding Common Shares of the Company may not be granted to persons employed to provide Investor Relations Activities in any 12 month period;
- (iii) Options issued to Eligible Persons performing Investor Relations Activities must vest in stages over 12 months with no more than one-quarter of the Options vesting in any three month period;
- (iv) the approval of the Disinterested Shareholders of the Company shall be obtained:
  - (A) for Options granted to any one individual in any 12 month period to acquire more than 5% of the issued and outstanding Common Shares of the Company;
  - (B) for any amendment to or reduction in the exercise price of the Option if the Optionee is an insider of the Company at the time of the amendment; and
  - (C) for the Plan if the Plan, together with all of the Company's previously established and outstanding stock option plans or grants, could result at any time in the grant to insiders of the Company, within a 12-month period, of a number of Option Shares exceeding 10% of the Company's issued Common Shares; and
- (v) for Options granted to the employees, consultants or management company employees of the Company, the Company will represent that the Optionee is a bona fide employee, consultant or management company employee of the Company, as the case may be.

**8. ADJUSTMENT OF AND CHANGES IN THE OPTION SHARES**

- (a) If the Option Shares are at any time to be listed or quoted on any stock exchange or stock quotation system other than the TSX Venture Exchange, to the extent that there are any Options which are outstanding and unexercised at the time of such application for listing, the Option Price, the aggregate number of Option Shares, the exercise period, and any other relevant terms of such Options, and the Option Agreements in relation thereto, shall be amended in accordance with the requirements of any applicable securities regulation or law or any applicable governmental or regulatory body (including the Exchange). Subject to the requirements of the Exchange, any such amendment shall be effective upon receipt of Board approval of it, and the approval of any of the shareholders of the Company or any of the Optionees is not required to give effect to such amendment.
  - (b) If the Option Shares, as presently constituted, are changed into or exchanged for a different number or kind of shares or other securities of the Company or of another Company (whether by reason of merger, consolidation, amalgamation, recapitalization, reclassification, split, reverse split, combination of shares, or otherwise) or if the number of such Option Shares are increased through the payment of a stock dividend, then there shall be substituted for or added to each Option Share subject to or which may become subject to an Option under this Plan, the number and kind of shares or other securities into which each outstanding Option Share is so changed, or for which each such Option Share is exchanged, or to which each such Option Share is entitled, as the case may be. Outstanding Options under the Option Agreements shall also be appropriately amended as to price and other terms as may be necessary to reflect the foregoing events. In the event that there is any other change in the number or kind of the outstanding Option Shares or of any shares or other securities into which such Option Shares are changed, or for which they have been exchanged, then, if the Board shall, in its sole discretion, determine that such change equitably requires an adjustment in any Option theretofore granted or which may be granted under the Plan, such adjustment shall be made in accordance with such determination.
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- (c) Fractional shares resulting from any adjustment in Options pursuant to this Section 8 will be cancelled. Notice of any adjustment shall be given by the Company to each holder of an Option which has been so adjusted and such adjustment (whether or not such notice is given) shall be effective and binding for all purposes of the Plan.

**9. PAYMENT**

Subject as hereinafter provided, the full purchase price for each of the Option Shares shall be paid by certified cheque, wire transfer or bank draft in favour of the Company upon exercise thereof. An Optionee shall have none of the rights of a shareholder in respect of the Option Shares until the shares are issued to such Optionee.

**10. WITHHOLDING TAX REQUIREMENTS**

Upon exercise of an Option, the Optionee shall, upon notification of the amount due and prior to or concurrently with the delivery of the certificates representing the Option Shares, pay to the Company amounts necessary to satisfy applicable withholding tax requirements or shall otherwise make arrangements satisfactory to the Company for such requirements. In order to implement this provision, the Company or any related corporation shall have the right to retain and withhold from any payment of cash or issuance of Option Shares under this Plan the amount of taxes required to be withheld or otherwise deducted and paid with respect to such payment. At its discretion, the Company may require an Optionee receiving Option Shares to reimburse the Company for any such taxes required to be withheld by the Company and withhold any distribution to the Optionee in whole or in part until the Company is so reimbursed. In lieu thereof, the Company shall have the right to withhold from any cash amount due or to become due from the Company to the Optionee an amount equal to such taxes. The Company may also retain and withhold or the Optionee may elect, subject to approval by the Company at its sole discretion, to have the Company retain and withhold a number of Option Shares having a market value not less than the amount of such taxes required to be withheld by the Company to reimburse the Company for any such taxes and the corresponding Option Shares so withheld will not be issued. Notwithstanding the discretion granted to the Company pursuant to the foregoing, the exercise price of any Option must be paid in cash.

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#### **11. SECURITIES LAW REQUIREMENTS**

No Option shall be exercisable in whole or in part, nor shall the Company be obligated to issue any Option Shares pursuant to the exercise of any such Option, if such exercise and issuance would, in the opinion of counsel for the Company, constitute a breach of any applicable laws from time to time, or the rules from time to time of the Exchange. Each Option shall be subject to the further requirement that if at any time the Board determines that the listing or qualification of the Option Shares under any securities legislation or other applicable law, or the consent or approval of any governmental or other regulatory body (including the Exchange), is necessary as a condition of, or in connection with, the issue of the Option Shares hereunder, such Option may not be exercised in whole or in part unless such listing, qualification, consent or approval has been effected or obtained free of any conditions not acceptable to the Board.

#### **12. AMENDMENT OF THE PLAN**

- (a) The Board may amend, suspend or terminate the Plan or any portion thereof at any time, but an amendment may not be made without shareholder approval if such approval is necessary to comply with any applicable regulatory requirement.
- (b) The Board shall have the power, in the event of:
  - (i) any disposition of substantially all of the assets of the Company, dissolution or any merger, amalgamation or consolidation of the Company, with or into any other Company, or the merger, amalgamation or consolidation of any other Company with or into the Company; or
  - (ii) any acquisition pursuant to a public tender offer of a majority of the then issued and outstanding Common Shares;

but subject to compliance with the rules of the Exchange, to amend any outstanding Options to permit the exercise of all such Options prior to the effectiveness of any such transaction, and to terminate such Options as of such effectiveness in the case of transactions referred to in subsection (i) above, and as of the effectiveness of such tender offer or such later date as the Board may determine in the case of any transaction described in subsection (ii) above. If the Board exercises such power, all Options then outstanding and subject to such requirements shall be deemed to have been amended to permit the exercise thereof in whole or in part by the Optionee at any time or from time to time as determined by the Board prior to the effectiveness of such transaction, and such Options shall also be deemed to have terminated as provided above.

#### **13. POWER TO TERMINATE OR AMEND PLAN**

Subject to the approval of any stock exchange on which the Company's securities are listed, the Board may terminate, suspend or amend the terms of the Plan; provided, that the Board may not do any of the following without obtaining, within 12 months either before or after the Board's adoption of a resolution authorizing such action, shareholder approval, and, where required, Disinterested Shareholder approval, or by the written consent of the holders of a majority of the securities of the Company entitled to vote:

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- (a) increase the aggregate number of Common Shares which may be issued under the Plan;
- (b) materially modify the requirements as to the eligibility for participation in the Plan which would have the potential of broadening or increasing Insider participation;
- (c) add any form of financial assistance or any amendment to a financial assistance provision which is more favourable to participants under the Plan;
- (d) add a cashless exercise feature, payable in cash or securities, which does not provide for a full deduction of the number of underlying securities from the Plan reserve; and
- (e) materially increase the benefits accruing to participants under the Plan.

However, the Board may amend the terms of the Plan to comply with the requirements of any applicable regulatory authority without obtaining shareholder approval, including:

- (a) amendments of a housekeeping nature to the Plan;
- (b) a change to the vesting provisions of a security or the Plan; and
- (c) a change to the termination provisions of a security or the Plan which does not entail an extension beyond the original expiry date.

#### **14. SHAREHOLDER APPROVAL**

This Plan is subject to the approval of the shareholders of the Company yearly at each annual general meeting of the Company.

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## SCHEDULE "C"

### IM CANNABIS CORP. (formerly NAVASOTA RESOURCES INC.)

#### 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:

- the integrity, adequacy and timeliness of the Company's financial reporting and disclosure practices;
- the Company's compliance with legal and regulatory requirements related to financial reporting; and
- the independence and performance of the Company's independent auditor.

The Committee shall also perform any other activities consistent with this Charter, the Company's articles and governing laws as the Committee or Board deems necessary or appropriate.

The Committee shall consist of at least three directors. Members of the Committee shall be appointed by the Board and may be removed by the Board in its discretion. The members of the Committee shall elect a Chairman from among themselves. The quorum for a meeting of the Committee is a majority of the members who are not officers, control persons or employees of the Company or of an affiliate of the Company. With the exception of the foregoing quorum requirement, the Committee may determine its own procedures.

The Committee's role is one of oversight. 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 and regulations.

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.

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## AUTHORITY AND RESPONSIBILITIES

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

1. Monitor the adequacy of this Charter and recommend any proposed changes to the Board.
  2. Review the appointments of the Company's Chief Financial Officer and any other key financial executives involved in the financial reporting process.
  3. 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.
  4. 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.
  5. 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.
  6. 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.
  7. 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.
  8. Review with management and the independent auditor significant related party transactions and potential conflicts of interest.
  9. Pre-approve all non-audit services to be provided to the Company by the independent auditor.
  10. 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.
  11. 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.
  12. Conduct or authorize investigations into any matters that the Committee believes is within the scope of its responsibilities. The Committee has the authority to retain independent counsel, accountants or other advisors to assist it, as it considers necessary, to carry out its duties, and to set and pay the compensation of such advisors at the expense of the Company.
  13. Perform such other functions and exercise such other powers as are prescribed from time to time for the audit committee of a reporting issuer pursuant to National Instrument 52-110, the *Business Corporations Act* (British Columbia) and the articles of the Company.
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## IM Cannabis Corp. Announces Annual General Meeting Results

TORONTO and GLIL YAM, Israel, March 17, 2020 - IM Cannabis Corp. (the "**Company**" or "**IMC**") is pleased to announce that at the annual general meeting of shareholders of the Company (the "**Meeting**") held earlier today, the shareholders elected Oren Shuster, Marc Lustig, Steven Mintz, Rafael Gabay and Vivian Bercovici as directors of the Company. Incumbent director Jesse Kaplan did not seek re-election at the Meeting and Rafael Gabay and Vivian Bercovici were elected to the board of directors (the "**Board**") for the first time. The Board would like to thank Mr. Kaplan for his service and contributions to the Company.

Mr. Gabay has more than 20 years of experience in management positions in the technology sector. Mr. Gabay is currently the Chairman and Co-Founder of Ewave Group Ltd. ("**Ewave**") and has held these roles since the company's inception in 1999. Through Ewave, Mr. Gabay owns and manages a portfolio of companies in various fields including real estate, internet of things, healthcare and mobile technology. Mr. Gabay is also a significant shareholder who owns and/or controls approximately 22% of the Company's common shares.

Ms. Bercovici is currently a consultant to various medical cannabis and medical device entities regarding operational issues and market opportunities in Israel, Europe and Canada. From March 2017 to March 2018, Ms. Bercovici was the Managing Director, Europe and Israel at Nuvera Inc., a Toronto-based medical cannabis company that was acquired by Aphria Inc. Ms. Bercovici also served as Canada's Ambassador to Israel from 2014 through 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.

The shareholders passed all other motions at the Meeting, including a re-approval of the Company's 10% rolling stock option plan.

### **About IM Cannabis Corp.**

IMC is an international medical cannabis company, and a well-known Israeli brand of medical cannabis products. In Europe, IMC is establishing a medical cannabis operation first with its distribution subsidiary in Germany and augmented by strategic agreements with certified EU-GMP Standard suppliers, making it one of the only medical cannabis companies with fully integrated operations in Europe. IMC intends to leverage its operational experience and brand to establish a foothold in emerging medical cannabis markets including Germany, Portugal and Greece. IMC's core Israeli business includes offering branding, know-how and other intellectual property-related services to the Israeli medical cannabis market. Its key assets in Israel include commercial agreements with licensed producers and an option to purchase licensed entities. IMC has developed proprietary processes in its operations and is active in developing and investing in innovative technology for global medical cannabis consumers leveraging its reputation and expertise in the medical cannabis sector.

### **Forward-Looking Statements**

*This press release contains forward-looking statements within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "likely" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. The forward-looking statements in this press release include statements relating to the Company's strategic plans. Forward-looking statements are subject to business and economic risks and uncertainties and other factors that could cause actual results of operations to differ materially from those contained in the forward-looking statements, including, without limitation: the ability of the Company to comply with applicable government regulations in a highly regulated industry; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel, Germany, Portugal, Greece or any other foreign jurisdictions in which the Company intends to operate; reliance on management; inconsistent public opinion and perception regarding the use of cannabis; engaging in activities considered illegal under US federal law; political instability and conflict in the Middle East; adverse market conditions; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; currency fluctuations; competition; and loss of key management and/or employees. Please see the Company's Form 2A Listing Statement which is available under the Company's profile on SEDAR for additional related risks factors that could materially affect the Company's operations and financial results. The Company does not undertake any obligation to update forward looking statements except as required by applicable securities laws. Investors should not place undue reliance on forward-looking statements.*

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SOURCE IM Cannabis Corp.

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IM Cannabis Bolsters Supply of Medical Cannabis in Israel under IMC Brand due to Definitive Supply Agreement between Focus and Intelicanna

- Intelicanna, an Israeli cannabis company traded on the Tel Aviv Stock Exchange under the ticker symbol "INTL", to supply a minimum of 500kg and up to 1,000kg of medical cannabis to Focus Medical using Focus Medical's proprietary genetics
- All medical cannabis sold according to this agreement will be under the IMC brand

**Toronto and Gili Yam, Israel, March 23, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), one of the world's pioneering medical cannabis companies with operations in Israel and across Europe, is pleased to announce that Focus Medical Herbs Ltd. ("Focus Medical"), a licensed medical cannabis producer in Israel, has signed a 12-month definitive supply agreement (the "Supply Agreement") with Intelicanna Ltd. ("Intelicanna") (TASE:INTL) for a minimum of 500kg and up to 1,000kg of medical cannabis. Additional purchases may be made by Focus Medical under this agreement without a change to the contracted price paid to Intelicanna. The final products will be sold to pharmacies in Israel under the IMC brand.

Focus Medical is one of eight original licensed producers in Israel with over 10 years of experience growing high quality medical cannabis in the Israeli market. Focus Medical has an exclusive commercial agreement with IMC to distribute its production under the IMC brand. IMC's strategy in Israel is to pursue additional supply agreements of this nature in order to continue increasing market share of the IMC brand.

"The demand for medical cannabis in Israel is rising quickly and securing additional supply with a premium cultivator is an excellent long-term development for the IMC brand. This agreement also represents strong third-party validation of Focus Medical's intellectual property in plant genetics which are unique and favored by many Israeli consumers," says Oren Shuster, Chief Executive Officer of IMC. "IMC will continue to pursue similar arrangements with other medical cannabis suppliers as pharmacies in Israel demand more and more quality products for their patients over the long-term."

#### **Details of the Supply Agreement**

The Supply Agreement between Focus Medical and Intelicanna is for a term of 12 months from the date of the first planting in Intelicanna's facility. The Supply Agreement is contingent on Intelicanna receiving IMC-GAP approval by June 15, 2020.

Intelicanna will obtain access to Focus Medical's unique and proprietary genetics for the purpose of delivering product under the Supply Agreement but the genetics will remain the exclusive property of Focus Medical. Intelicanna may not sell, transfer or perform research with the genetics it accesses through this Supply Agreement without consent from Focus Medical. Under the Supply Agreement, Intelicanna is responsible for all production activities but Focus Medical will have access to Intelicanna's growing facility to monitor the entire growing process.

Focus Medical will make a deposit against future deliveries of 427,500 NIS (approximately CDN\$170,000) within a month from the execution date of the Supply Agreement. The balance of payments for future deliveries will be made by Focus Medical within 30 days from delivery by Intelicanna.

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### **About IM Cannabis Corp.**

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### **About Intelicanna Ltd.**

Intelicanna is an Israeli-based international medical cannabis company publicly trading on the Tel Aviv Stock Exchange. From plant genetics and agricultural technologies to downstream processing and product development, Intelicanna will leverage the wide spectrum of proven Israeli know-how to revolutionize the process of medical cannabis cultivation and processing. Capitalizing on our specialists' vast experience and deep understanding of the medical cannabis market, Intelicanna's 'R&D to commercialization' strategy aims to create a global portfolio of high quality products and technologies that will help optimize the process of cultivating and processing cannabis within the industry. In Israel, Intelicanna will cultivate consistent, high quality medical cannabis for the local market in a state of the art, snow-white medifarm facility that will incorporate various agricultural and automation technologies that enhance the quality of our cannabis.

### ***Disclaimer for Forward-Looking Statements***

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#### IM Cannabis to Expand IMC Brand in Pharmacies Across Israel

- Focus Medical entered into a binding agreement to sell 800kg of medical cannabis a year to a group of pharmacies in Jerusalem over a period of three years
- Total contract value of approximately CAD\$15 million
- All medical cannabis sold according to this agreement will be under the IMC brand

**Toronto and Gili Yam, Israel, March 30, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), one of the world's pioneering medical cannabis companies with operations in Israel and across Europe, is pleased to announce that Focus Medical Herbs Ltd. ("Focus Medical"), a licensed medical cannabis producer in Israel, has signed a binding three-year sales agreement for the sale of medical cannabis (the "Sales Agreement") to three pharmacies in Jerusalem operating under the Oranim Pharm and Medi Plus banners (the "Pharmacies"). Focus Medical is one of eight original licensed producers in Israel and has over 10 years of experience growing high quality medical cannabis in the Israeli market. Focus Medical has an exclusive commercial agreement with IMC to distribute its production under the IMC brand.

The total value of the Sales Agreement is expected to result in approximately CAD\$15 million in revenue, with an expected gross margin of 50%.<sup>1</sup>

"IMC has long been recognized as a premium medical cannabis brand and this sales agreement reflects ongoing demand for quality products from well-known producers. As the medical cannabis market transitions from direct sales by licensed producers to a pharmacy model and with the government increasing the number of indications that qualify for medical cannabis treatment, we expect to continue to evaluate partnerships of this nature with leading pharmacies across Israel," says Oren Shuster, Chief Executive Officer of IMC.

#### Details of the Sales Agreement

Focus Medical will supply to the Pharmacies a total of 800kg of medical cannabis annually for a period of three years. The total quantity of medical cannabis to be delivered under the Sales Agreement is 2,400kg and the Pharmacies are obligated to purchase the entire quantity under the Sales Agreement.

The Pharmacies have all necessary licensing to sell medical cannabis directly to patients, and the Company expects that the Pharmacies will be well positioned to satisfy rising demand in Jerusalem.

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<sup>1</sup> The Company and its management believe that this estimate is reasonable as of the date hereof and is based on management's current views, strategies, expectations, assumptions and forecasts, and has been calculated using accounting policies that are generally consistent with the Company's current accounting policies. This estimate is considered a financial outlook under applicable securities laws. The estimate and any other financial outlooks or future-oriented financial information included herein has 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 Agreement 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 laws. 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 Company's control. See "*Disclaimer for Forward Looking Statements*".

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## **About IM Cannabis Corp.**

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## **For more information:**

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#### IM Cannabis Adds New Partners for Supply of Medical Cannabis in Israel under IMC Brand

- IMC continues to build asset-light business model to satisfy rising demand for medical cannabis in Israel with supply of approximately 2,600kg of medical cannabis per year using Focus Medical's proprietary genetics
- All medical cannabis sold according to this agreement will be under the IMC brand

**Toronto and Gili Yam, Israel, March 31, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), one of the world's pioneering medical cannabis companies with operations in Israel and across Europe, is pleased to announce that Focus Medical Herbs Ltd. ("Focus Medical"), a licensed medical cannabis producer in Israel, has signed a three-year definitive supply agreement (the "Supply Agreement") with Way of Life and Cannation (the "Suppliers") for a total of approximately 2,600kg of medical cannabis per year, for a total of up to 7,800kg of medical cannabis over three years. All final products under the Supply Agreement will bear the IMC brand and will be sold to pharmacies in Israel.

Focus Medical is one of eight original licensed producers in Israel and has over 10 years of experience growing high quality medical cannabis in the Israeli market. Focus Medical has an exclusive commercial agreement with IMC to distribute its production under the IMC brand. IMC now has four supply partners delivering medical cannabis for sale under the IMC brand, including Focus Medical, the Suppliers and Intelicanna Ltd. (TASE:INTL).

"IMC continues to execute on its core strategy of increasing the penetration of the IMC brand with the vision that value creation will be through high quality and consistent medical products that are recognized by consumers. In both Israel and Europe, where demand for medical cannabis continues to steadily rise, we have adopted an asset-light approach to minimize capital expenditures. Accordingly, we have entered into supply agreements with cultivation partners where we can assist production using our 10 years of expertise through the life cycle of medical cannabis products. We will continue to build our foundation with similar partnerships with the view of advancing IMC branded products as first choice products in both Israel and Europe," says Oren Shuster, Chief Executive Officer of IMC.

#### Details of the Supply Agreement

The Supply Agreement between Focus Medical and the Suppliers is for a term of three years. Way of Life is an IMC-GAP certified cultivator and is dedicating a 14,000 sq. ft. space at its facility for the cultivation of Focus Medical's proprietary medical cannabis strains. The Supply Agreement with Cannation calls for a 54,000 sq. ft. space for the cultivation of Focus Medical's proprietary medical cannabis strains, with the option to increase the dedicated space by an additional 108,000 sq. ft. Pursuant to the Supply Agreement, Cannation is required to obtain IMC-GAP certification by August 22, 2020.

The Suppliers will obtain access to Focus Medical's unique and proprietary genetics for the purpose of delivering products under the Supply Agreement but the genetics will remain the exclusive property of Focus Medical. The Suppliers may not sell, transfer or perform research with the genetics it accesses through this Supply Agreement without consent from Focus Medical. Under the Supply Agreement, Focus Medical will have access to the Suppliers' growing facilities to utilize its know-how and 10 years' experience to monitor the entire growing process.

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### **About IM Cannabis Corp.**

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### **About Way of Life Cannabis Company and Cannation**

Way of Life Cannabis Company owns two cannabis farms in Israel over approximately 2.5 hectares, with the possibility of expanding to approximately 20 hectares. Way of Life Cannabis Company is the first company to be licensed after the new field regulations, and meets the requirements of both the IMC-GAP standard and the European GACP standard. Way of Life Cannabis Company is entering the final stages of establishing a EU-GMP manufacturing facility for the processing and production of cannabis-based medicines. Cannation is operated by the same management group as Way of Life Cannabis Company.

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#### IM Cannabis Provides Business Update on COVID-19

- Israeli and German operations continue to advance strategic priorities, investments into innovation will be deferred
- Israeli operation to benefit from two supply agreements and one sales agreement recently signed by Focus Medical
- IM Cannabis currently has CAD\$11.8 million in cash and no debt

**Toronto and Gili Yam, Israel, April 2, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), one of the world's pioneering medical cannabis companies with operations in Israel and across Europe, is pleased to provide a business update to the investment community regarding the COVID-19 pandemic and the Company's activity throughout the situation.

"In the past month, we have witnessed unprecedented challenges to world health and the global economy due to the spread of COVID-19. We at IMC were very quick to take proactive measures in the early stages of the COVID-19 pandemic. At IMC, our priorities are to protect the health and safety of our employees, to continue delivering high quality medical cannabis to our patients and to maintain our strong balance sheet. Consequently, we will be deferring investments made as a part of our innovation strategy, but the growth of our operations in Israel and Germany will continue unabated given the significant long-term market opportunity for the IMC brand and the essential nature of providing medical cannabis to our customers and patients. We wish for everyone to stay safe and remain in good health," says Oren Shuster, Chief Executive Officer.

#### Corporate Update

Given the uncertainty of the economic environment and capital markets, IMC has decided to postpone new investments related to innovation and planned investments have been put on hold. IMC will focus on developing its brand in Germany by increasing volumes to medical patients in that market, adding supply and sales agreements in Israel where the IMC brand has long been recognized as a premium provider of medical cannabis, and reaching profitability in the near term. As of March 31, 2020, IMC had CAD\$11.8 million in cash and no debt.<sup>1</sup>

Innovation remains a long-term strategic priority as IMC is uniquely positioned to capitalize on the significant research and development being cultivated in Israel as it relates to medical cannabis technologies. The Company will continue to maintain and foster new relationships in the research and development community to be prepared to resume its innovation strategy as soon as global economic risks subside.

#### Israeli Operations

Focus Medical Herbs Ltd. ("Focus Medical"), a licensed producer in Israel with over 10 years of operating experience and with which IMC has an exclusive commercial agreement to distribute its production under the IMC brand, has been recognized officially by the Israeli government as an essential service. Focus Medical's cultivation and production activities will continue with new measures taken to ensure the health and safety of employees.

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<sup>1</sup> This amount has neither been audited nor reviewed by the Company's auditors.

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IMC will continue to develop additional supply agreements, like those with Focus Medical. Recently, Focus Medical has added three supply partners: Intelicanna Ltd. (TASE:INTL), Way of Life and Cannation. All supply procured by Focus Medical under these agreements will be sold to pharmacies in Israel under the IMC brand, will utilize Focus Medical's unique medical cannabis strains and will allow IMC to monitor the growing process of its partners.

Additionally, Focus Medical has recently signed a sales agreement with a group of three pharmacies in Jerusalem for sales of medical cannabis under the IMC brand. The contract is expected to have total value of \$15 million in revenue with expected gross margins of 50%<sup>2</sup>.

Pharmacies and medical patients in Israel are steadily increasing demand, and IMC intends to evaluate additional supply and sales agreements in the near term to increase the market share of its flagship brand.

### **European Operations**

IMC is pleased to announce that Adjupharm GmbH, the Company's EU-GMP distribution subsidiary in Germany, has received the necessary approvals from regulatory authorities to begin import and sales of IMC's branded medical cannabis to German patients. Sales in Germany have to this point been made through Adjupharm under brands of partner companies.

IMC continues to expect the first delivery from its supply partner in Spain to its facility in Germany in Q2 2020.

### **About IM Cannabis Corp.**

IMC is an international medical cannabis company, and a well-known Israeli brand of medical cannabis products. In Europe, IMC is establishing a medical cannabis operation first with its distribution subsidiary in Germany and augmented by strategic agreements with certified EU-GMP Standard suppliers, making it one of the only medical cannabis companies with fully integrated operations in Europe. IMC intends to leverage its operational experience and brand to establish a foothold in emerging medical cannabis markets including Germany, Portugal and Greece. IMC's core Israeli business includes offering branding, know-how and other intellectual property-related services to the Israeli medical cannabis market. Its key assets in Israel include commercial agreements with licensed producers and an option to purchase licensed entities. IMC has developed proprietary processes in its operations and is active in developing and investing in innovative technology for global medical cannabis consumers leveraging its reputation and expertise in the medical cannabis sector.

### ***Disclaimer for Forward-Looking Statements***

This press release contains forward-looking statements within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "likely" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. The forward-looking statements in this press release include statements relating to the short- and long-term implications of COVID-19 on the Company's operations and financial results (including the continued ability of Focus Medical to operate as an essential service in Israel), the ability of the Company to implement its business strategy to achieve profitability in the near term, the expected long-term opportunity for medical cannabis sales in Israel and Europe, the projected revenues and profitability of the sales agreements between Focus Medical and its pharmacy partners over the next three years, the local demand for medical cannabis in Jerusalem, the accessibility of medical cannabis to be purchased from Focus Medical's pharmacy partners, the ability of Focus Medical's supply partners to deliver medical cannabis and fulfill their obligations under certain supply agreements, the receipt and/or maintenance by Focus Medical and its pharmacy and supply partners, as the case may be, of all medical cannabis licenses and authorizations that are required to fulfill all obligations and deliveries under the sales and supply agreements, respectively, the ability to secure additional supply and sales agreements, the timing of new investments in innovation, the supply of medical cannabis from the Company's Spanish supply partner to Germany and the import and sale of medical cannabis under the Adjupharm brand in Germany. Forward-looking statements are subject to business and economic risks and uncertainties and other factors that could cause actual results of operations to differ materially from those contained in the forward-looking statements, including, without limitation: the ability of the Company to comply with applicable government regulations in a highly regulated industry; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel, Germany, Portugal, Greece or any other foreign jurisdictions in which the Company intends to operate; reliance on management; inconsistent public opinion and perception regarding the use of cannabis; engaging in activities considered illegal under US federal law; political instability and conflict in the Middle East; adverse market conditions; disease outbreaks; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; currency fluctuations; competition; and loss of key management and/or employees. Please see the Company's Form 2A Listing Statement which is available under the Company's profile on SEDAR for additional related risks factors that could materially affect the Company's operations and financial results. The Company does not undertake any obligation to update forward-looking statements except as required by applicable securities laws. Investors should not place undue reliance on forward-looking statements.

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<sup>2</sup> The Company and its management believe that this estimate is reasonable as of the date hereof and is based on management's current views, strategies, expectations, assumptions and forecasts, and has been calculated using accounting policies that are generally consistent with the Company's current accounting policies. This estimate is considered a financial outlook under applicable securities laws. The estimate and any other financial outlooks or future-oriented financial information included herein has 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 Agreement 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 laws. 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 Company's control. See "*Disclaimer for Forward Looking Statements*".

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IMC Announces Second Focus Medical Deal for Sales of Branded Products in Israeli Pharmacy Channel for 2,000kg

- Focus Medical, entered into a two-year binding agreement to sell 1,000kg of medical cannabis a year to Shor Tabachnik pharmacies
- The two-year contract is valued at approximately CAD\$12 million; now 4,400kg for an approximate value of CAD\$27 million contracted over next three years
- All medical cannabis sold according to this agreement will be under the IMC brand

**Toronto and Gili Yam, Israel, April 8, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), one of the world's pioneering medical cannabis companies with operations in Israel and across Europe, is pleased to announce that on April 6, 2020, Focus Medical Herbs Ltd. ("Focus Medical"), a licensed medical cannabis producer based in Israel, signed a binding two-year sales agreement for the sale of IMC-branded medical cannabis (the "Sales Agreement") with Shor Tabachnik pharmacies (the "Pharmacies"). According to the two-year Sales Agreement, Focus Medical will supply the Pharmacies 1,000Kg of IMC-branded medical cannabis products annually through the duration of the Sales Agreement. Focus Medical is one of eight original licensed producers in Israel and has over 10 years of experience growing high quality medical cannabis in the Israeli market. Focus Medical has an exclusive commercial agreement with IMC to distribute its production under the IMC brand.

Due to the exclusive commercial arrangement between Focus Medical and IMC, the Sales Agreement is expected to result in approximately CAD\$12 million in revenue to IMC, with an expected gross margin of 50%.<sup>1</sup> Between the Sales Agreement and prior announced agreements, Focus Medical has now signed two definitive agreements for a total of 4,400kg of medical cannabis sales under the IMC brand in the next three years with a total expected value of approximately CAD\$27 million with an expected gross margin of 50%.<sup>1</sup>

"Patients increasingly depend on medical cannabis for a variety of illnesses and conditions and we will continue to see a steady rise in demand from Israeli pharmacies as the industry transitions from direct-to-patient sales to a pharmacy-based distribution model. We expect Focus Medical's cultivation expertise and its operating history, along with the well-known IMC brand, to remain a top choice for pharmacies and patients. As healthcare practitioners and patients are dealing with the challenges posed by COVID-19, we expect Focus Medical will continue to operate as an essential service and to increase the supply of our top quality branded medical cannabis products for patients in Israel," says Oren Shuster, Chief Executive Officer of IMC.

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## **Details of the Sales Agreement**

Focus Medical will supply to the Pharmacies a total of 1,000kg of medical cannabis annually for a period of two years. The total quantity of medical cannabis to be delivered under the Sales Agreement is 2,000kg and the Pharmacies are obligated to purchase the entire quantity under the Sales Agreement.

The Sales Agreement has been entered into between Focus Medical and Drugstore LTD, which has been operating under the Shor Tabachnik brand for over 90 years. Currently, one Shor Tabachnik pharmacy is licensed to sell medical cannabis and another pharmacy in Tel Aviv is awaiting the necessary licensing.

## **Management Change**

IMC has also announced that the Company and Amir Goldstein, Chief Operating Officer, have mutually agreed to Mr. Goldstein's resignation effective June 20, 2020. Mr. Goldstein will be leaving IMC to pursue other opportunities.

"We would like to thank Amir for his work at IM Cannabis over the last 2 years and we wish him well," said Oren Shuster, Chief Executive Officer of IMC.

## **About IM Cannabis Corp.**

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## **About Drugstore LTD and Shor Tabachnik**

Shor Tabachnik pharmacies have been operating across Israel for over 90 years. Its primary activities are importing specialized unlicensed drugs from abroad according to Ministry of Health approval, managing its GMP and GDP certified warehouse, compounding pharmacy and supply of medical cannabis to patient across Israel. Shor Tabachnik is an official supplier of pharmacy services to major health organization across Israel, including hospitals, healthcare insurance companies and the Israel Defense Forces, among others.

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**IMC Announces Three-Year CAD\$80.4 Million Sales Agreement with Gross Margin of 50% by Focus Medical with Super Pharm, Israel's Largest Pharmacy Chain, for IMC-Branded Medical Cannabis Products**

- Focus Medical has entered into a three-year binding sales agreement with Super-Pharm, Israel's largest pharmacy chain, for 13,575kg of IMC branded medical cannabis products
- Sales to begin in April 2020 through Super-Pharm's omnichannel distribution network including 41 pharmacies licensed to sell medical cannabis, as well as home delivery and e-commerce platforms
- To date in 2020, Focus Medical has signed binding sales agreements for 17,975kg of medical cannabis products with a value of CAD\$107.4 million in revenue expected over the next three years

**Toronto and Gilil Yam, Israel, April 13, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), one of the world's pioneering medical cannabis companies with operations in Israel and Europe, is pleased to announce that Focus Medical Herbs Ltd. ("Focus Medical") has signed a binding three-year agreement for the sale of 13,575kg of IMC-branded medical cannabis products (the "Sales Agreement") to Super-Pharm (Israel) Ltd. ("Super-Pharm"), Israel's largest drugstore chain, which was founded by the Koffler family in 1978 and operates 250 pharmacies across Israel.

Focus Medical has an exclusive commercial agreement with IMC to distribute its production under the IMC brand. Due to those exclusive commercial arrangement, the Sales Agreement is expected to generate approximately CAD\$80.4 million in consolidated revenues to IMC over a three-year period beginning April 2020 , with an expected gross margin of 50%<sup>1</sup>. The Sales Agreement, coupled with previously announced agreements with Israeli pharmacies (together, the "Pharmacy Sales Agreements"), now total 17,975kg of medical cannabis contracted by Focus Medical for sale under the IMC brand in the next three years. In aggregate, the Pharmacy Sales Agreements are expected to generate total revenue of approximately CAD\$107.4 million with an expected gross margin of 50%<sup>1</sup>. By comparison, for the nine-month period ended September 30, 2019, IMC generated \$6.6 million in revenue and a gross profit of \$3.4 million, or 52%, on an unaudited basis.

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"Super-Pharm is a leading Israeli retail pharmacy chain and we are delighted to see Focus Medical partner with them to provide greater access to high-quality, IMC-branded medical cannabis products for patients." **said Oren Shuster, Chief Executive Officer of IMC.** "Over the past few months, Focus Medical has signed binding sales agreements with two other pharmacies, which will help cement IMC's brand leadership. Furthermore, we expect further expansion of our business both in Israel and Europe over the remainder of 2020 and are well-positioned to continue winning business based on our ability to ensure consistent, top-quality supply to large industry players in both markets. We are committed to driving these results to the bottom line for the benefit of shareholders as we continue to aggressively expand over the next 12 months."

Nitzan Lavi, CEO of Super-Pharm added, "At Super-Pharm, it is imperative that we work with partners that consistently provide the highest quality medical products to our national network of 250 pharmacies across Israel. We trust the IMC brand which, over the past decade, has built a solid reputation for operational excellence. We have full confidence that our partnership will deliver the highest quality medical cannabis to patients and expect to continue to grow our relationship as demand continues to expand in Israel."

#### **Additional Details of the Sales Agreement**

The Koffler family has long-standing roots in the pharmacy industry. Leon Koffler founded Super-Pharm in 1978 and his father, Murray Koffler, founded Shoppers Drug Mart in Canada starting with operating his father's two pharmacies in 1941.

Super-Pharm currently has 41 of its 250 pharmacies in Israel licensed to sell medical cannabis to patients. Its pharmacies have a footprint throughout Israel's north, centre and south regions. Additionally, Super-Pharm has established national e-commerce and home delivery platforms to distribute medical cannabis.

The Sales Agreement was signed on April 13, 2020. According to the Sales Agreement, Focus Medical will sell Super-Pharm with a total 13,575Kg of IMC-branded medical cannabis over the next three years: 2,270kg in 2020, 4,980kg in 2021, and 6,325kg in 2022. Medical cannabis products sold under the Sales Agreement will include both dry flower and extract products.

#### **Pharmacy Sales Agreements Announced in 2020**

Focus Medical has signed the following agreements for sale of IMC branded medical cannabis in Israel:

- 13,575kg worth approximately CAD\$80.4 million over three years, signed April 13, 2020 with Super-Pharm.
- 2,000kg worth approximately CAD\$12 million, signed April 6, 2020 with Shor Tabachnik pharmacies ([link](#)).
- 2,400kg worth approximately CAD\$15 million, signed March 29, 2020 with Oranim Pharm and Medi Plus pharmacies ([link](#)).

Total Pharmacy Sales Agreements announced in 2020: 17,975 kg worth CAD\$107.4 million over the next three years.

#### **About IM Cannabis Corp.**

IMC is an international medical cannabis company, and a well-known Israeli brand of medical cannabis products. In Europe, IMC has established a medical cannabis operation first with its distribution subsidiary in Germany and augmented by strategic agreements with certified EU-GMP Standard suppliers, making it one of the only medical cannabis companies with fully integrated operations in Europe. IMC intends to leverage its operational experience and brand to establish a foothold in emerging medical cannabis markets including Germany, Portugal and Greece. IMC's core Israeli business includes offering branding, know-how and other intellectual property-related services to the Israeli medical cannabis market. Its key assets in Israel include commercial agreements with licensed producers and an option to purchase licensed entities. IMC has developed proprietary processes in its operations and is active in developing and investing in innovative technology for global medical cannabis consumers leveraging its reputation and expertise in the medical cannabis sector.

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#### **About Focus Medical Herbs Ltd.**

Focus Medical is one of eight original licensed producers of medical cannabis in Israel and has over 10 years of experience growing high quality medical cannabis in the Israeli market. Focus Medical has an exclusive commercial agreement with IMC to distribute its production under the IMC brand. In addition to its own capacity, Focus Medical has supply agreements with two other third-parties for additional supply using its proprietary genetics and for sale under the IMC brand.

#### **About Superpharm (Israel) Ltd.**

Super-Pharm is a leading drugstore chain in Israel. Established in 1978 by Leon Koffler, the company now has 250 branches in Israel, selling an extensive range of pharmaceuticals, health products, vitamins, minerals, cosmetics, toiletries, and baby products.

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#### IMC Announces Two Additional Binding Sales Agreements by Focus Medical - Adds CAD\$14.5 Million in Revenue with Gross Margin of 50% Over Three-Year Period

- Focus Medical has entered into two additional binding sales agreements: Max Pharm for up to 1,500kg over three years and Panaxia for 1,000kg of medical cannabis under the IMC brand
- Max Pharm adds IMC-branded products to its retail pharmacy and home delivery platform, and Panaxia will launch IMC products across the largest home delivery platform in Israel
- In 2020, Focus Medical has signed binding sales agreements to supply 20,475kg in medical cannabis under the IMC brand - totalling up to CAD\$121.9 million in revenue to IMC over the next three years, at an expected gross margin of 50%

**Toronto and Gili Yam, Israel, April 16, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), one of the world's pioneering medical cannabis companies with operations in Israel and across Europe, is pleased to announce that Focus Medical Herbs Ltd. ("Focus Medical") signed two binding sales agreements for the sale of IMC-branded medical cannabis: a three-year agreement with Max Pharm Ltd. ("Max Pharm") for total sales of up to 1,500kg, and a one-year agreement with Panaxia Labs Israel, Ltd. ("Panaxia")(TASE:PNAX) for 1,000kg (together, the "Sales Agreements").

Focus Medical has an exclusive commercial agreement with IMC to distribute its production under the IMC brand. Due to the exclusive commercial arrangement, the Sales Agreements are expected to generate approximately CAD\$14.5 million in consolidated revenue to IMC over a three-year period beginning Q2 2020, with an expected gross margin of 50%, assuming Max Pharm exercises its purchase options.

"These Sales Agreements ensure that IMC-branded medical cannabis products will be available across Israel through unique distribution channels, giving Israeli medical cannabis patients more options than ever before to access the IMC-branded products that they need," said **Oren Shuster, Chief Executive Officer of IMC**. "With over CAD\$120 million in contracted revenue over the next three years, IMC has come a long way in a relatively short period of time. Our vision has always been for IMC branded products to be the first choice for pharmacies, doctors and patients across Israel and throughout Europe, with the belief that value creation for shareholders would ultimately be generated by committed operators that can successfully build a brand that stands for consistency and quality. The Sales Agreements announced today have moved us another step closer to the achievement of that vision and we look forward to continuing to update shareholders over the next several months, as the IMC brand is recognized by established operators in Israel and Europe."

#### Details of the Sales Agreements

The agreement with Max Pharm was signed on April 14, 2020. Focus Medical will begin making sales under the agreement in 2021, with the first 500kg to be delivered under the agreement as a binding sale. Max Pharm has an option to extend the agreement in 2022 and 2023 for an additional 500kg in each year, for a total potential volume of 1,500kg over three years.

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Operating one retail pharmacy in Israel, Max Pharm will also leverage its e-commerce channel to deliver medical cannabis to patients around Israel.

The agreement with Panaxia was signed on April 13, 2020. The agreement with Panaxia will have deliveries beginning in April 2020 with 1,000kg contracted for sale over the next 12 months. Panaxia will leverage its leading home delivery platform to distribute IMC branded products.

#### **Pharmacy Sales Agreements Announced in 2020**

Focus Medical has signed the following agreements for sales of medical cannabis to pharmacies across Israel:

- Up to 1,500kg worth CAD\$8.6 million over three years, signed April 14, 2020 with Max Pharm.
- 1,000kg worth CAD\$5.9 million over 12 months, signed April 13, 2020 with Panaxia.
- 13,575kg worth CAD\$80.4 million over three years, signed April 13, 2020 with a 250-store pharmacy chain [link](#).
- 2,000kg worth CAD\$12 million over two years, signed April 6, 2020 a pharmacy chain that is expecting two pharmacies licensed to sell medical cannabis [link](#).
- 2,400kg worth CAD\$15 million over three years, signed March 29, 2020 with a group owning three pharmacies licensed to sell medical cannabis [link](#).

Total pharmacy sales agreements announced in 2020: 20,475kg worth CAD\$121.9 million in consolidated revenue over the next three-year period to IMC.

#### **About IM Cannabis Corp.**

IMC is an international medical cannabis company, and a well-known Israeli brand of medical cannabis products. In Europe, IMC has established a medical cannabis operation first with its distribution subsidiary in Germany and augmented by strategic agreements with certified EU-GMP Standard suppliers, making it one of the only medical cannabis companies with fully integrated operations in Europe. IMC intends to leverage its operational experience and brand to establish a foothold in emerging medical cannabis markets including Germany, Portugal and Greece. IMC's core Israeli business includes offering branding, know-how and other intellectual property-related services to the Israeli medical cannabis market. Its key assets in Israel include commercial agreements with licensed producers and an option to purchase licensed entities. IMC has developed proprietary processes in its operations and is active in developing and investing in innovative technology for global medical cannabis consumers leveraging its reputation and expertise in the medical cannabis sector.

#### **About Focus Medical Herbs Ltd.**

Focus Medical is one of eight original licensed producers of medical cannabis in Israel and has over 10 years of experience growing high quality medical cannabis in the Israeli market. Focus Medical has an exclusive commercial agreement with IMC to distribute its production under the IMC brand. In addition to its own capacity, Focus Medical has supply agreements with two other cultivators for additional supply using its proprietary genetics and for sale under the IMC brand.

#### **About Max Pharm Ltd.**

Max Pharm is operated by a team of pharmacists with expertise in medical cannabis that provide value through professional advice. Max Pharm was one of the first pharmacies in Israel to sell medical cannabis to patients. In addition to its retail pharmacy, Max Pharm also services patients through home delivery. Max Pharm Pharmacy offers more than 1,000 unique pharmacy products: over-the-counter medicines, vitamins, natural products, medical accessories, cosmetics, grooming products, children's and baby products, and medical cannabis.

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## **Panaxia Labs Israel, Ltd.**

Panaxia Labs Israel, Ltd. is a publicly traded company on the Tel Aviv Stock Exchange, trading under the symbol "PNAX." It is the largest Israeli manufacturer and home-delivery distributor of medical cannabis products, and the first to have received the approval of the Israeli Ministry of Health for the manufacturing of medicinal cannabis-based pharmaceuticals (under the IMC-GMP directive). The company manufactures over 30 hemp-based medicinal products and has accumulated a broad foundation of clinical experience based on tens of thousands of patients.

Panaxia is part of the Segal Pharma Group, owned by the Segal family and founded over forty years ago. The company manufactures over 600 different pharmaceutical products that are distributed in over 40 countries worldwide. Panaxia Labs Israel is a subsidiary of Panaxia Pharmaceutical Industries, co-founded by Dr. Dadi Segal, Dr. Eran Goldberg, and Assi Rotbart, Adv. as the cannabis division of the Segal Pharma Group. A sister subsidiary, Panaxia U.S., manufactures in North America over 60 hemp-based medicinal products, including sublingual tablets, lozenges, oils, and inhalators for the treatment of conditions such as PTSD, cancer, chronic pain, epilepsy, anorexia, burns, and many other ailments. Panaxia Group has over 150 employees, and all clinical trials are conducted in-house.

The Segal Pharma Group additionally owns Luminera Derm, manufacturer of injectable dermal fillers, and Tree of Life Pharma, manufacturer of over-the-counter drugs.

### ***Financial Outlook***

The Company and its management believe that the estimated revenues and gross margins contained in this press release 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 laws. 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 and other previously announced Focus Medical 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 laws. 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 Company's control. See "*Disclaimer for Forward Looking Statements*" below.

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#### IM Cannabis Reports 72% Increase in Q4 2019 Consolidated Revenue

- Consolidated revenues increased 72% to \$2.5 million in Q4 2019, fiscal 2019 consolidated revenue increased 75% with a gross margin of 48%
- Strong financial position at December 31, 2019 with \$13.9 million in cash, \$21.7 million in working capital and no debt
- Sales agreements for \$121.9 million in consolidated revenue to IMC over three years signed by Focus Medical subsequent to year-end

*\* Currency is in CAD\$ unless specified otherwise*

**Toronto and Glil Yam, Israel, April 20, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), one of the world's pioneering medical cannabis companies with operations in Israel and across Europe, is pleased to announce financial results for the three months and year ending December 31, 2019.

"I am extremely proud of the IMC team for continued excellence in achieving the Company's strategic priorities. Since inception, we have had the vision of becoming a leading medical cannabis brand in Israel and we have strengthened our platform to leverage throughout Europe. For IMC, this has meant an asset-light business model that prioritizes the recognition of our brand with physicians, pharmacists and patients. We have built on our momentum into 2020 with Focus Medical signing sales agreements for the distribution of medical cannabis to pharmacies in Israel under the IMC brand that are expected to total over \$120 million in consolidated revenue over the next three years, and we have expanded our supply relationships to satisfy this demand. Lastly, amidst the volatility in the global cannabis market in the fourth quarter of 2019 and in 2020 with the COVID-19 pandemic, IMC remains in a very strong capital position to continue investing in its business with cash of \$13.9 million and no debt. I truly believe IMC has a winning formula and we look forward to delivering continued value for our shareholders over the long-term," said Oren Shuster, CEO of IMC.

#### Business Highlights

Highlights during the three months ended December 31, 2019:

- Consolidated revenues increased to \$2.5 million or 72%, compared to \$1.4 million in the prior year, due to an increase in the quantity of medical cannabis sold and higher realized selling prices;
- On November 5, 2019, the Company's common shares began trading on the Canadian Securities Exchange ("CSE") under the ticker symbol "IMCC";
- Focus Medical expanded its cultivation operation at its Sde Avraham facility, increasing expected capacity by 60%; and
- Ended the year in a strong financial position with \$13.9 million in cash, \$21.7 million in working capital and no debt, after a successful equity offering raising gross proceeds of \$20.4 million.

Highlights subsequent to December 31, 2019:

- Expanded innovation portfolio with US\$0.7 million investment in Xinteza, with an option to invest up to US\$1.7 million for up to 25% equity ownership, to develop innovative biosynthesis technology based on Weizmann Institute research;

- Established a joint venture and supply agreement in Greece with Galen Industries Single Member Societe Anonyme, whereby IMC will own a 25% interest in the joint venture and will be entitled to 25% of the medical cannabis produced by the joint venture at a preferred price for sale under the IMC brand;
- Appointed Rafeal Gabay and Vivian Bercovici to the Board of Directors;
- Supply agreements established between Focus Medical and Way of Life, Cannation and Intelicanna Ltd. (TASE:INTL) for Focus Medical to acquire an aggregate of 8,800kg of medical cannabis for IMC- branded products over the next three years; and
- Focus Medical signed sales agreements to supply an aggregate of 20,475kg of IMC-branded medical cannabis to five groups of Israeli pharmacies, representing over 260 retail pharmacies, in addition to e-commerce and home delivery platforms, with expected consolidated revenue over the next three years of \$121.9 million and gross margins of approximately 50%.

#### Overview of results for the year and three months ended December 31, 2019

Financial Results	For the year ended December 31,			For the three months ended December 31,	
	2019	2018	2017	2019	2018
Revenues ('000)	\$ 9,074	\$ 5,197	\$ 4,393	\$ 2,479	\$ 1,439
Gross margin before fair value impacts in cost of sales ('000)	\$ 4,313	\$ 3,422	\$ 2,425	\$ 881	\$ 1,197
Gross margin before fair value impacts in cost of sales (%)	48%	66%	55%	36%	83%
Net Income (Loss) ('000)	\$ (7,419)	\$ 2,627	\$ 727	\$ 1,691	\$ 1,268
Net Income (Loss) per share					
Basic and Diluted	\$ (0.06)	\$ 0.02	\$ 0.01		

Balance Sheet	December 31,		
	2019	2018	2017
Total assets ('000)	\$ 30,894	\$ 14,994	\$ 3,643
Total liabilities ('000)	\$ 4,785	\$ 3,383	\$ 1,846
Working Capital	\$ 21,682	\$ 12,307	\$ 1,278

Operational Results - Medical Cannabis	For the year ended December 31,			
	2019	2018		
Average net selling price of dried cannabis (per Gram)	\$ 3.39	\$ 2.61	\$ 4.50	\$ 2.43
Quantity produced (in Kilograms)	2,351	2,461	863	1,305
Quantity sold (in Kilograms)	2,180	1,597	482	462

IMC reported revenue for the three-month period ended December 31, 2019 of \$2.5 million compared to \$1.4 million for the three-month period ended December 31, 2018, an increase of \$1.1 million or 72%. The increase in revenues was due to an increase in the quantity of medical cannabis sold and higher realized selling prices.

Gross profit before fair value impacts for the three-month period ended December 31, 2019 was \$0.9 million compared to \$1.2 million for the three-month period ended December 31, 2018. Higher sales volumes and pricing were offset by costs incurred to implement new regulatory requirements on medical cannabis producers.

Net income for the three-month period ended December 31, 2019 was \$1.7 million compared to net income of \$1.3 million for the three-month period ended December 31, 2018. This variance was due to the factors impacting gross margin before fair value impacts, higher expenses relating to employment and contracting of experienced personnel and experts, additional business development activities and additional corporate activities, offset by fair value gains related to the revaluation of warrants. Net income for the three-month period ended December 31, 2019 also included non-recurring expenses related to the listing of the Company on the CSE and the reverse takeover transaction, which amounted to \$3.6 million and share-based payments in the amount of \$2.7 million.

The complete audited financial statements and related management's discussion and analysis for the year and three months ended December 31, 2019, will be available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

#### **About IM Cannabis Corp.**

IMC is an international medical cannabis company, and a well-known Israeli brand of medical cannabis products. In Europe, IMC is establishing a medical cannabis operation first with its distribution subsidiary in Germany and augmented by strategic agreements with certified EU-GMP Standard suppliers, making it one of the only medical cannabis companies with fully integrated operations in Europe. IMC intends to leverage its operational experience and brand to establish a foothold in emerging medical cannabis markets including Germany, Portugal and Greece. IMC's core Israeli business includes offering branding, know-how and other intellectual property-related services to the Israeli medical cannabis market. Its key assets in Israel include commercial agreements with licensed producers and an option to purchase licensed entities. IMC has developed proprietary processes in its operations and is active in developing and investing in innovative technology for global medical cannabis consumers leveraging its reputation and expertise in the medical cannabis sector.

#### **About Focus Medical Herbs Ltd.**

Focus Medical is one of eight original licensed producers of medical cannabis in Israel and has over 10 years of experience growing high quality medical cannabis in the Israeli market. Focus Medical has an exclusive commercial agreement with IMC to distribute its production under the IMC brand. In addition to its own capacity, Focus Medical has supply agreements with two other cultivators for additional supply using its proprietary genetics and for sale under the IMC brand.

IMC currently operates in the Israeli medical cannabis market by providing intellectual property and services to licensed producers. Focus Medical Herbs Ltd. ("Focus Medical"), a licensed medical cannabis producer in Israel with whom the Company has exclusive commercial agreements, is the first major Israeli licensed producer to utilize the Company's intellectual property and know-how. Neither the Company nor any of its subsidiaries currently hold, directly or indirectly, any licenses to engage in the cultivation, production, processing, distribution or sale of medical cannabis in Israel. However, under International Financial Reporting Standards ("IFRS") 10, the Company is required to consolidate the results of Focus, a licensed propagator and cultivator of medical cannabis under the current Israeli regulatory regime, in its current financial results.

#### ***Financial Outlook***

The Company and its management believe that the estimated revenues and gross margins contained in this press release 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 laws. 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 and other previously announced Focus Medical 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 laws. 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 Company's control. See "Disclaimer for Forward Looking Statements" below.

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### ***Disclaimer for Forward-Looking Statements***

This press release contains forward-looking statements within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "likely" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. The forward-looking statements in this press release include, without limiting the foregoing, statements relating to the Company's projected revenue and gross margin over the next three years as a result of Focus Medical's recent sales agreements with certain Israeli pharmacy groups, the expected amount of IMC-branded medical cannabis to be supplied by Focus Medical over the next three years to such Israeli pharmacy groups, the expected amount of medical cannabis to be sourced from third party suppliers by Focus Medical, the Company's joint venture in Greece, the Company's ability to continue to invest in its business despite the recent volatility in the cannabis markets and COVID-19 and the Company's strategic plans. Forward-looking statements are subject to business and economic risks and uncertainties and other factors that could cause actual results of operations to differ materially from those contained in the forward-looking statements, including, without limitation: the ability of the Company to comply with applicable government regulations in a highly regulated industry; unexpected changes in governmental policies, views and regulations affecting the production, cultivation licenses, distribution, manufacture or use of medical cannabis in Israel, Germany, Portugal, Greece or any other foreign jurisdictions in which the Company intends to operate;; unexpected disruptions to the operations and businesses of the Company and/or Focus Medical as a result of the COVID-19 global pandemic or other disease outbreaks including in the event that Focus Medical were to lose its designation as an essential service in the State of Israel during the current COVID-19 outbreak; any unexpected failure of Focus Medical to renew its cultivation license with the Israeli Ministry of Health; reliance on management; inconsistent public opinion and perception regarding the use of cannabis; engaging in activities considered illegal under US federal law; political instability and conflict in the Middle East; adverse market conditions; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; currency fluctuations; competition; and loss of key management and/or employees. Please see the Company's Form 2A Listing Statement which is available under the Company's profile on SEDAR for additional related risks factors that could materially affect the Company's operations and financial results. The Company does not undertake any obligation to update forward-looking statements except as required by applicable securities laws. Investors should not place undue reliance on forward-looking statements.

### **For more information:**

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IMC Announces Sales Agreement Signed by Focus Medical for \$71.6 Million in Revenue and Gross Margin of 50%, Now \$193.5 Million Under Binding Agreements

- PharmYarok entered into a three-year binding sales agreement with Focus Medical for 12,600kg of medical cannabis under the IMC brand
- PharmYarok to distribute IMC-branded product through its retail pharmacy and its leading e-commerce platform
- Binding sales agreements signed by Focus Medical now total 33,075kg in medical cannabis with expected consolidated revenue of \$193.5 million at a gross margin of 50% over a three-year period starting in 2020

*\* Currency is in CAD\$ unless specified otherwise*

**Toronto and Gilil Yam, Israel, April 21, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), one of the world's pioneering medical cannabis companies with operations in Israel and across Europe, is pleased to announce that Focus Medical Herbs Ltd. ("Focus Medical") has signed a binding three-year sales agreement for the sale of 12,600kg of IMC-branded medical cannabis (the "Sales Agreement") with Israeli-based PharmYarok Ltd. ("PharmYarok"). The Sales Agreement is expected to generate approximately \$71.6 million in consolidated revenue to IMC over a three-year period beginning in 2021, with an expected gross margin of 50%.

"Over the last four weeks, six pharmacy groups representing over 260 retail pharmacies have signed binding agreements to carry IMC-branded products on their shelves. There is no such thing as an overnight success and the traction we are getting today is a direct result of the reputation that we have built over the last decade as a high quality medical cannabis brand," said Oren Shuster, Chief Executive Officer of IMC. "We still have a robust pipeline and are actively pursuing additional partners in existing markets while leveraging our reputation and know-how to enter new markets in Europe. IMC's reputation as a brand that physicians and patients can depend on has already resulted in contracted revenue of approximately \$193.5 million over the next three years. But we are just getting started. Our ultimate objective is to solidify IMC as a household name in medical cannabis across Israel and Europe, while leveraging our asset-light model to drive shareholder returns."

#### **Details of the Sales Agreement**

The Sales Agreement was signed on April 21, 2020. Pursuant to the terms of the Sales Agreement, Focus Medical will supply PharmYarok with 12,600Kg of IMC-branded medical cannabis between 2021 and 2023 in equal annual volumes of 4,200kg, subject to PharmYarok meeting regulatory requirements. In addition to owning a leading medical cannabis e-commerce platform, PharmYarok will distribute IMC-branded products through its retail pharmacy.

Idan Elmaliach, founder of PharmYarok added, "Demand for medical cannabis is increasing every day across Israel and, to satisfy consumers, pharmacies must find a high quality, consistent supply of trusted products. IMC has long been a well-known and respected brand of medical cannabis across Israel, and we have full confidence in the success of our partnership."

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## **Pharmacy Sales Agreements and Supply Agreements Announced in 2020**

Focus Medical has now signed six sales agreements in the last four weeks for the distribution of IMC-branded medical cannabis products. Highlights of these agreements are as follows:

- Total consolidated revenue from all binding sales agreements expected to be \$193.5 million with an expected gross margin of 50%;
- 33,075kg in contracted sales between Q2 2020 and 2023, with 3,000kg under the sales agreements expected to reach pharmacies in 2020; and
- IMC-branded products to be on shelves in 47 pharmacies currently licensed to sell medical cannabis in Israel, with a total footprint of over 260 retail locations between all pharmacy partners, in addition to leading e-commerce and home delivery platforms.

To satisfy demand from the pharmacy sales agreements, Focus Medical has signed supply agreements with Cannomed Medical Cannabis Industries Ltd. (TASE:CNMD), Intelicanna Ltd. (TASE:INTL), Way of Life and Cannation, in addition to the current stated capacity from Focus Medical's facility in Sde Avraham. In total, 7,110kg of medical cannabis will be supplied in 2020 and a total of 31,260kg will be supplied between 2020 and 2023 for sale under the pharmacy sales agreements as IMC-branded products.

### **About IM Cannabis Corp.**

IMC is an international medical cannabis company, and a well-known Israeli brand of medical cannabis products. In Europe, IMC has established a medical cannabis operation first with its distribution subsidiary in Germany and augmented by strategic agreements with certified EU-GMP Standard suppliers, making it one of the only medical cannabis companies with fully integrated operations in Europe. IMC intends to leverage its operational experience and brand to establish a foothold in emerging medical cannabis markets including Germany, Portugal and Greece. IMC's core Israeli business includes offering branding, know-how and other intellectual property-related services to the Israeli medical cannabis market. Its key assets in Israel include commercial agreements with licensed producers and an option to purchase licensed entities. IMC has developed proprietary processes in its operations and is active in developing and investing in innovative technology for global medical cannabis consumers leveraging its reputation and expertise in the medical cannabis sector.

### **About Focus Medical Herbs Ltd.**

Focus Medical is one of eight original licensed producers of medical cannabis in Israel and has over 10 years of experience growing high quality medical cannabis in the Israeli market. Focus Medical has an exclusive commercial agreement with IMC to distribute its production under the IMC brand. In addition to its own capacity, Focus Medical has supply agreements with two other cultivators for additional supply using its proprietary genetics and for sale under the IMC brand.

### **About PharmYarok Ltd.**

PharmYarok was founded by Idan Elmaliach and employs a team of medical cannabis professionals with a range of expertise throughout the value chain. PharmYarok is comprised of one retail location and a leading e-commerce platform, both of which are supported by a call centre with professionals offering personalized advice and support for patients.

### **Financial Outlook**

The Company and its management believe that the estimated revenues and gross margins contained in this press release 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 laws. 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 Agreement and other previously announced Focus Medical 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 laws. 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 Company's control. See "Disclaimer for Forward Looking Statements" below.

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### **For more information:**

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FORM 52-109F1-IPO/RTO

CERTIFICATION OF ANNUAL FILINGS FOLLOWING AN INITIAL PUBLIC OFFERING, REVERSE TAKEOVER OR  
BECOMING A NON-VENTURE ISSUER

I, Oren Shuster, Chief Executive Officer, of IM Cannabis Corp., certify the following:

1. **Review:** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of IM Cannabis Corp. (the "issuer") for the financial year ended December 31, 2019.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

Date: April 21, 2020

"Oren Shuster"

Oren Shuster  
Chief Executive Officer

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**NOTE TO READER**

In contrast to the usual certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), namely, Form 52-109F1, this Form 52-109F1-IPO/RTO does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of an issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 in the first financial period following

- completion of the issuer's initial public offering in the circumstances described in s. 4.3 of NI 52-109;
- completion of a reverse takeover in the circumstances described in s. 4.4 of NI 52-109; or
- the issuer becoming a non-venture issuer in the circumstances described in s. 4.5 of NI 52-109;

may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

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FORM 52-109F1-IPO/RTO

CERTIFICATION OF ANNUAL FILINGS FOLLOWING AN INITIAL PUBLIC OFFERING, REVERSE TAKEOVER OR  
BECOMING A NON-VENTURE ISSUER

I, Shai Shemesh, Chief Financial Officer, of IM Cannabis Corp., certify the following:

1. **Review:** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of IM Cannabis Corp. (the "issuer") for the financial year ended December 31, 2019.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

Date: April 21, 2020

"Shai Shemesh"

Shai Shemesh  
Chief Financial Officer

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**NOTE TO READER**

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- completion of the issuer's initial public offering in the circumstances described in s. 4.3 of NI 52-109;
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- the issuer becoming a non-venture issuer in the circumstances described in s. 4.5 of NI 52-109;

may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

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#### IMC Announces New Supplier Signed by Focus Medical, Now Five Suppliers Cultivating for Focus Medical under IMC Brand

- Focus Medical has entered into a supply agreement to purchase up to a total 8,060kg of medical cannabis between 2020 and 2023
- Focus Medical has now secured all the supply required under the six binding pharmacy sales agreements it has signed
- In 2020, Focus Medical signed binding sales agreements for pharmacies to purchase 33,075kg in medical cannabis under the IMC brand, revenue of CAD\$193.5 million to IMC over the next three years, at an expected gross margin of 50%

**Toronto and Gilil Yam, Israel, April 27, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), one of the world's pioneering medical cannabis companies with operations in Israel and across Europe, is pleased to announce that Focus Medical Herbs Ltd. ("Focus Medical") has signed a supply agreement to purchase up to a total of 8,060kg of medical cannabis between 2020 and 2023 (the "Supply Agreement").

"IMC's brand is known for consistency and quality, and we are very pleased Focus Medical has added another supplier to the team that helps make IMC a household name with physicians, pharmacists and patients across Israel," said **Oren Shuster, Chief Executive Officer of IMC**. "IMC's asset-light business model has recently been bolstered through the signing of six pharmacy sales agreements for the sale of over \$190 million in medical cannabis under the IMC brand over the next three years. Now the supply side of the businesses is being strengthened with Focus Medical's fourth supply agreement announced in 2020. We are very confident our suppliers will deliver the quality medical products we require to maintain our position as a leading brand, and we look forward to working with them for years to come."

#### Details of the Supply Agreement

The Supply Agreement was signed on April 26, 2020. The supplier will supply Focus Medical approximately 280kg of medical cannabis over two harvests in 2020 for a total of approximately 560kg of medical cannabis this year. If the quality criteria set under the Supply Agreement are met, then the supplier will increase the supply to 2,500kg of medical cannabis a year between 2021 and 2023, for a total of 8,060kg.

The supplier currently operates with IMC-GAP certification. All strains cultivated under the Supply Agreement are proprietary to Focus Medical.

#### Supply Agreements and Pharmacy Sales Agreements Announced in 2020

Thus far in 2020, Focus Medical has signed and announced supply agreements with Cannomed Medical Cannabis Industries Ltd. (TASE:CNMD), Intelicanna Ltd. (TASE:INTL), Way of Life and Cannation. Including the current stated capacity from Focus Medical's facility in Sde Avraham and the supply from the Supply Agreement, Focus Medical has secured the medical cannabis required to meet its obligations under previously announced pharmacy sales agreements.

Focus Medical has signed six pharmacy sales agreements in 2020. These pharmacy sales agreements are binding agreements for the sale of 4,000kg of IMC-branded products in 2020, and a total of 33,075kg worth CAD\$193.5 million in consolidated revenue over the next three-year period to IMC, with an expected gross margin of 50%.

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### **About IM Cannabis Corp.**

IMC is an international medical cannabis company, and a well-known Israeli brand of medical cannabis products. In Europe, IMC has established a medical cannabis operation first with its distribution subsidiary in Germany and augmented by strategic agreements with certified EU-GMP Standard suppliers, making it one of the only medical cannabis companies with fully integrated operations in Europe. IMC intends to leverage its operational experience and brand to establish a foothold in emerging medical cannabis markets including Germany, Portugal and Greece. IMC's core Israeli business includes offering branding, know-how and other intellectual property-related services to the Israeli medical cannabis market. Its key assets in Israel include commercial agreements with licensed producers and an option to purchase licensed entities. IMC has developed proprietary processes in its operations and is active in developing and investing in innovative technology for global medical cannabis consumers leveraging its reputation and expertise in the medical cannabis sector.

### **About Focus Medical Herbs Ltd.**

Focus Medical is one of eight original licensed producers of medical cannabis in Israel and has over 10 years of experience growing high quality medical cannabis in the Israeli market. Focus Medical has an exclusive commercial agreement with IMC to distribute its production under the IMC brand. In addition to its own capacity, Focus Medical has supply agreements with two other cultivators for additional supply using its proprietary genetics and for sale under the IMC brand.

### ***Financial Outlook***

The Company and its management believe that the estimated revenues and gross margins contained in this press release 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 laws. 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 previously announced Focus Medical 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 laws. 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 Company's control. See "*Disclaimer for Forward Looking Statements*" below.

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#### IMC Expands into German Market through Execution of Two Binding Sales Commitments

- First step in a long-term strategy to develop a network of distribution partners in order to maximize brand awareness among physicians, pharmacists and patients in Germany
- IMC's distribution subsidiary in Germany will deliver a total of 360kg of medical cannabis to two distributors in Germany beginning in June 2020
- All medical cannabis sold to these distributors under the IMC brand

*\* Currency is in CAD\$ unless specified otherwise*

**Toronto, Canada; Gili Yam, Israel; and Bad Oldesloe, Germany - May 7, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), one of the world's pioneering medical cannabis companies with operations in Israel and across Europe, is pleased to announce that its German subsidiary, Adjupharm GmbH ("Adjupharm"), has obtained definitive purchase commitments for 360kg of medical cannabis over the next twelve months with two distributors in Germany (the "Purchase Commitments"). Adjupharm is fully licensed for the import, export and distribution of medical cannabis products in Germany.

**Oren Shuster, Chief Executive Officer of IMC** commented, "Over the past year, we have taken the steps required to enter the German market and scale quickly, backed by a 10-year track record of successful operations in Israel. Germany is the third largest medical cannabis market in the world and continues to present a large opportunity for focused operators like IMC. The commitments obtained today are a significant achievement in the roll-out of IMC's strategy in Germany and they are pivotal to growing brand awareness, with a view to increasing our international penetration as well as preparing to enter other attractive countries in the EU. IMC is experienced at building productive relationships within the retail pharmacy channel and have already formed partnerships with trusted cultivators for product fulfillment. With \$193.5 million in revenue and expected gross margins of 50% secured through binding agreements over the past two months in Israel and now purchase commitments in Europe's largest market, we have made meaningful strides towards our long-term success. Our strategy will continue to unfold in the coming months as we expand our network of partnerships to maximize the distribution of IMC-branded products in Germany."

#### Details of the Purchase Commitments and Sales Agreements

Through its EU-GMP certified subsidiary, Adjupharm, the Company has entered into two binding three-to-twelve month sales agreements with two pharmaceutical distributors in Germany. Each of the distributors has entered into individual purchase commitments under the respective sales agreements. The total quantity of medical cannabis under the Purchase Commitments is 360kg, with 340kg expected to be delivered in 2020.

The first shipment to distributors in Germany is expected in June 2020. Medical cannabis sold under these Purchase Commitments will be fulfilled primarily from the Company's EU-GMP certified supply partner in Europe.

The Purchase Commitments are the Company's first binding contracts for the sale of medical cannabis in Germany under the IMC brand. IMC has also previously announced that Focus Medical Herbs Ltd. has signed six binding sales agreements for the distribution of IMC-branded medical cannabis products in Israel. Total consolidated revenue from all binding sales agreements in Israel is expected to be \$193.5 million with an expected gross margin of 50%. A total of 33,075kg of medical cannabis will be delivered in Israel between Q2 2020 and 2023, and 3,000kg of medical cannabis under the sales agreements is expected to reach pharmacies in 2020.

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## IMC Market Strategy in Germany

In 2019, IMC made a strategic decision to enter the German medical cannabis market as the first step in its international strategy, with the long-term goal of becoming the leading medical cannabis brand in the world.

Germany has many attributes that make it an attractive market with significant growth potential: (1) with a population of over 83 million people, the total addressable market for medical cannabis is very large and estimated to grow to €7.7 billion by 2028<sup>1</sup>; (2) Germany currently has between 40,000 and 60,000 medical cannabis patients<sup>2</sup> making it the third largest medical cannabis market in the world; (3) the high rates of insurability and comparatively higher prices in Germany provide the opportunity for elevated profitability; (4) the physician and pharmacy driven distribution channel is consistent with the Company's ability to effectively form a network of long-term strategic partnerships; and (5) there are high barriers to entry into the German medical cannabis market, protecting the Company's competitive position.

In March 2019, IMC purchased an EU-GMP certified narcotic distributor, Adjupharm, with an experienced management team in place. Adjupharm allows IMC the ability to import cannabis into Germany from countries throughout the EU and resell medical cannabis to distributors and pharmacies. The Company has also secured supply from an EU-GMP certified facility to meet demand in Germany and sell products under the IMC brand. This supply arrangement is of critical strategic value to penetrating the medical cannabis market in Germany given recent quantity limitations placed on distributors in Germany from existing suppliers to that market.

Looking forward, IMC plans to enter into additional sales agreements with distributors across Germany. Ownership of retail pharmacies in Germany is highly fragmented and IMC's strategy is to become a trusted and consistent supplier of high quality medical cannabis products to distributors in order to maximize the footprint of its brand across the country. Like previously announced agreements, the Company's future sales agreements and purchase commitments are expected to be binding and with products to be sold under the IMC brand to maximize recognition among physicians, pharmacists and patients.

### About IM Cannabis Corp.

IMC is an international medical cannabis company, and a well-known Israeli brand of medical cannabis products. In Europe, IMC has established a medical cannabis operation first with its distribution subsidiary in Germany and augmented by strategic agreements with certified EU-GMP Standard suppliers, making it one of the only medical cannabis companies with fully integrated operations in Europe. IMC intends to leverage its operational experience and brand to establish a foothold in emerging medical cannabis markets including Germany, Portugal and Greece. IMC's core Israeli business includes offering branding, know-how and other intellectual property-related services to the Israeli medical cannabis market. Its key assets in Israel include commercial agreements with licensed producers and an option to purchase licensed entities. IMC has developed proprietary processes in its operations and is active in developing and investing in innovative technology for global medical cannabis consumers leveraging its reputation and expertise in the medical cannabis sector.

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<sup>1</sup> THE EUROPEAN CANNABIS REPORT™ | 4TH EDITION Prohibition Partners

<sup>2</sup> <https://amp.handelsblatt.com/unternehmen/industrie/aok-tk-und-barmer-immer-mehr-deutsche-patienten-bekommen-cannabis-auf-rezept/23954602.html> and <https://hanfverband.de/nachrichten/pressemitteilungen/licht-und-viel-schatten-bei-cannabis-als-medizin>

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## ***Financial Outlook***

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#### IMC Signs Third Sales Agreement in Germany, Further Strengthening its Distribution Network

- Executing on long-term strategy to build distribution platform across the large German market
- Sales commitment for 465kg of IMC-branded medical cannabis over the next twelve months
- Together with other announced binding purchase agreements in Germany, a total of 825kg of IMC-branded medical cannabis is committed for sale over the next twelve months

*\*Currency is in CAD\$ unless specified otherwise*

**Toronto, Canada; Gilil Yam, Israel; and Bad Oldesloe, Germany - May 12, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), one of the world's pioneering medical cannabis companies with operations in Israel and across Europe, is pleased to announce that its German subsidiary, Adjupharm GmbH ("Adjupharm"), has received a definitive purchase commitment for 465kg of IMC-branded medical cannabis over the next twelve months with a distributor in Germany (the "Purchase Commitment"). Adjupharm has now signed sales agreements, including definitive purchase commitments, for IMC-branded products with three distributors in Germany.

**Oren Shuster, Chief Executive Officer of IMC** commented, "IMC is executing a long-term approach to becoming the leading medical cannabis brand in Germany. Our strategy is to create strong relationships and enter binding sales commitments with distributors across Germany and consistently supply these partners with top quality medical cannabis products. As the market in Germany expands, these partnerships will ensure maximum penetration of the IMC brand across the large but fragmented pharmacy channel in Germany. Today's announcement represents one more addition to our network of global partners we plan to establish over the long-term as we execute our strategy for leadership in medical cannabis, not just in Israel and Germany, but globally."

#### Details of the Purchase Commitments and Sales Agreements

Adjupharm, an EU-GMP certified subsidiary of the Company, has entered into a twelve-month sales agreement with a medical cannabis distributor in Germany. This distributor has now entered into a purchase commitment of 465kg of IMC-branded medical cannabis products over the next year, with 190kg expected to be delivered in 2020.

Adjupharm now has binding sales commitments for a total of 825kg of medical cannabis in Germany under the IMC brand, 530kg of which will be delivered in 2020. Medical cannabis sold under the Purchase Commitment will be fulfilled primarily from the Company's EU-GMP certified supply partner in Europe.

IMC has also previously announced that Focus Medical Herbs Ltd. has signed six binding sales agreements for the distribution of IMC-branded medical cannabis products in Israel. Total consolidated revenue from all binding sales agreements in Israel is expected to be \$193.5 million with an expected gross margin of 50%. A total of 33,075kg of medical cannabis will be delivered in Israel between Q2 2020 and 2023, and 3,000kg of medical cannabis under the sales agreements is expected to reach pharmacies in 2020.

## **IMC Market Strategy in Germany**

Over the long-term, IMC's goal is to become one of the leading medical cannabis companies in the world. The first step of the Company's international strategy was to enter Germany given its large population, adoption of medical cannabis and high barriers to entry.

In order to strengthen its strategic position, IMC purchased an EU-GMP certified narcotics distributor, Adjupharm, which has an experienced management team in place. Adjupharm allows for IMC-branded cannabis to be imported into Germany from countries throughout the EU and for IMC-branded medical cannabis to be resold to German distributors and pharmacies. The Company has also secured supply from an EU-GMP certified facility to meet demand in Germany and sell products under the IMC brand. This supply arrangement is of critical strategic value to penetrating the medical cannabis market in Germany given recent quantity limitations placed on distributors in Germany from existing suppliers to that market. In order to distribute and market IMC-branded products across Germany, the Company has now entered into three binding sales commitments through Adjupharm.

Looking forward, IMC plans to enter into additional sales agreements with distributors to market medical cannabis products across Germany's many territories. Ownership of retail pharmacies in Germany is highly fragmented and IMC's strategy is to become a trusted and consistent supplier of high-quality medical cannabis products to distributors in order to maximize the footprint of its brand across the country. Like previously announced agreements, the Company's future sales agreements and purchase commitments are expected to be binding and with products to be sold under the IMC brand to maximize recognition among physicians, pharmacists and patients.

## **About IM Cannabis Corp.**

IMC is an international medical cannabis company, and a well-known Israeli brand of medical cannabis products. In Europe, IMC has established a medical cannabis operation, first with its distribution subsidiary in Germany and augmented by strategic agreements with certified EU-GMP Standard suppliers, making it one of very few medical cannabis companies with fully integrated operations in Europe. IMC intends to leverage its operational experience and brand to establish a foothold in emerging medical cannabis markets including Germany, Portugal and Greece. IMC's core Israeli business includes offering branding, know-how and other intellectual property-related services to the Israeli medical cannabis market. Its key assets in Israel include commercial agreements with licensed producers and an option to purchase licensed entities. IMC has developed proprietary processes in its operations and is active in developing and investing in innovative technology for global medical cannabis consumers leveraging its reputation and expertise in the medical cannabis sector.

## ***Financial Outlook***

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#### IMC Welcomes Approval of Medical Cannabis Exports by Israeli Government

- Israeli Ministry of Economy signed a Free Export Order for medical cannabis products
- Government to begin accepting medical cannabis export applications in 30 days
- New export order significantly increases international market potential for the IMC brand

**Toronto and Gil Yam, Israel, May 14, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), one of the world's pioneering medical cannabis companies with operations in Israel and across Europe, is pleased to announce that the Israeli Ministry of Economy signed a Free Export Order for medical cannabis products on May 13, 2020. In 30 days, licensed producers of medical cannabis in Israel will be able to apply for an export permit to ship product to international markets, according to the Ministry of Health, subject to meeting certain criteria. The Free Export Order implements the Israeli government's January 2019 decision to approve medical cannabis exports from Israel. Focus Medical Herbs Ltd. ("Focus Medical"), a licensed producer in Israel with which IMC has exclusive commercial agreements to sell medical cannabis products under the IMC brand, will apply for an export permit as soon as possible.

IMC is at a strategic advantage for international export from Israel due to its ownership of Adjupharm GmbH ("Adjupharm"), which is fully licensed for the import, export and distribution of medical cannabis in Germany. In the long-term, Adjupharm will act as a hub for the import and distribution of medical cannabis across the European Union. Furthermore, IMC-branded products to be imported into the European Union from Israel will be of medical cannabis strains using Focus Medical's proprietary genetics that have been in development for over ten years and have become synonymous with quality, purity and consistency.

"The advancement of the export market for medical cannabis products from Israel is a very significant development for IMC's international strategy and its goal of becoming one of the leading medical cannabis brands in the world," **said Oren Shuster, Chief Executive Officer of IMC.** "Once the export of medical cannabis products begins, the IMC brand will be able to leverage proprietary genetics developed by Focus Medical and add another source of supply to the large and growing market in the European Union. The ability to export from Israel is a milestone we have been preparing for in recent years and we are now more ready than ever to execute on our international strategy by developing a world class medical cannabis brand."

#### About IM Cannabis Corp.

IMC is an international medical cannabis company, and a well-known Israeli brand of medical cannabis products. In Europe, IMC has established a medical cannabis operation first with its distribution subsidiary in Germany and augmented by strategic agreements with certified EU-GMP Standard suppliers, making it one of the only medical cannabis companies with fully integrated operations in Europe. IMC's core Israeli business includes offering branding, know-how and other intellectual property-related services to the Israeli medical cannabis market. Its key assets in Israel include commercial agreements with licensed producers and an option to purchase licensed entities. IMC has developed proprietary processes in its operations and is active in developing and investing in innovative technology for global medical cannabis consumers leveraging its reputation and expertise in the medical cannabis sector.

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## **About Focus Medical Herbs Ltd.**

Focus Medical is one of eight original licensed producers of medical cannabis in Israel and has over 10 years of experience growing high quality medical cannabis in the Israeli market. Focus Medical has an exclusive commercial agreement with IMC to distribute its production under the IMC brand. In addition to its own capacity, Focus Medical has supply agreements with two other cultivators for additional supply using its proprietary genetics and for sale under the IMC brand.

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#### IMC Approved for 4,000kg of Medical Cannabis Import to Germany

- IMC's EU-GMP licensed subsidiary, Adjupharm, has been approved to import 4,000kg of medical cannabis into Germany from additional foreign suppliers pursuant to a license extension granted by BfArM
- The License includes the ability to import flower and extracts from several countries, approved for both bulk and primary products
- The License allows all sales currently under binding commitment in Germany to be fulfilled from abroad

**Toronto, Canada; Glil Yam, Israel; and Bad Oldesloe, Germany, May 19, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), one of the world's pioneering medical cannabis companies with operations in Israel and across Europe, is pleased to announce Adjupharm GmbH ("Adjupharm"), its EU-GMP licensed distribution subsidiary in Germany, has been approved to import 4,000kg of medical cannabis into Germany from additional foreign suppliers pursuant to a license extension (the "License") granted by the German medical regulatory authority, the Bundesinstitut für Arzneimittel und Medizinprodukte, ("BfArM"). All future imports of medical cannabis will be made under this License, which allows for the import of either bulk product or end-products. Dry flower, dronabinol and extract products are permitted to be imported under the License.

Through Adjupharm, the Company has now signed binding purchase commitments with three medical cannabis distributors in Germany for the sale of 825kg of IMC-branded products over the next year. Consequently, this License will allow the Company to fulfill German market demand with products cultivated abroad, which includes the Netherlands, Spain, Portugal and Canada. As the export licensing process advances in Israel, Adjupharm can amend its License to include importation products from additional countries, including from Israel.

**Oren Shuster, Chief Executive Officer of IMC said,** "Adjupharm is lead by a seasoned leadership team and they continue to execute on our plan for leadership in the German market. Adjupharm has now reached a strategically sound position whereby it has many options to import medical cannabis from EU-GMP licensed cultivators abroad. It has secured licenses to cover future sales commitments with multiple distribution partners in Germany. As demand for medical cannabis continues to increase in Germany and the EU, I am more confident than ever that we have built that foundation for excellence."

#### About IM Cannabis Corp.

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#### IMC Announces Focus Medical's Successful Import of Medical Cannabis from Spain to Israel

- Focus Medical has successfully imported approximately 200kg of medical cannabis from Spain into Israel
- The medical cannabis was supplied by Linneo Health, the Company's strategic supply partner in Spain and an EU-GMP global supplier of medicinal cannabis
- Six suppliers now cultivating medical cannabis to Focus Medical for sale under the IMC brand in Israel

*\* Currency is in CAD\$ unless specified otherwise*

**Toronto, Canada; and Gilil Yam, Israel - May 26, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), one of the world's pioneering medical cannabis companies with operations in Israel and across Europe, is pleased to announce that Focus Medical Herbs Ltd. ("Focus Medical") has successfully received its first shipment of medical cannabis from Linneo Health ("Linneo"), an EU-GMP global supplier of medical cannabis based in Spain. The strategic supply agreement between The Company and Linneo allows for the supply of medicinal cannabis products to both Europe and Israel. This first shipment of approximately 200kg of medical cannabis will be sold by Focus Medical under brands proprietary to IMC in Israel starting in June 2020.

Combined with Focus Medical's existing cultivation capacity, and the four previously announced supply agreements signed by Focus Medical in Israel, the imported cannabis will help fulfill the 33,075kg of IMC-branded medical cannabis to be distributed under binding sale agreements to Israeli pharmacies by Focus Medical over the next three years.

**Oren Shuster, Chief Executive Officer of IMC** commented, "Our vision is for IMC to become one of the world's leading medical cannabis brands and for this we require both strong domestic and international partners. These partners are critical to ensure consistent and high-quality supply of medical cannabis synonymous with the IMC brand. The successful import of medical cannabis by Focus Medical into Israel is a very significant milestone for IMC as it demonstrates that an international supply chain can be developed to satisfy growing demand for IMC-branded medical cannabis in Israel. This announcement is also indicative of further execution on our domestic strategy along side our international growth strategy. We firmly believe that we have the recipe for success and that shareholders will be rewarded through long-term value creation."

#### Details of Sales and Supply Agreements

IMC has previously announced that Focus Medical has signed six binding sales agreements for the distribution of IMC-branded medical cannabis products in Israel. Total consolidated revenue from all binding sales agreements in Israel is expected to be \$193.5 million with an expected gross margin of 50% over the next three years. A total of 33,075kg of medical cannabis is expected to be delivered by Focus Medical to Israeli pharmacies between Q2 2020 and 2023, of which 3,000kg of the medical cannabis is expected to reach pharmacies in 2020.

The supply of medical cannabis to fulfill these pharmacy sales agreements is now fully contracted. Focus Medical has signed and announced supply agreements with Cannomed Medical Cannabis Industries Ltd. (TASE:CNMD), Intelicanna Ltd. (TASE:INTL), Way of Life and Cannation to augment Focus Medical's own cultivation capacity and international supply from Linneo.

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## **About IM Cannabis Corp.**

IMC is an international medical cannabis company, and a well-known Israeli brand of medical cannabis products. In Europe, IMC has established a medical cannabis operation first with its distribution subsidiary in Germany and augmented by strategic agreements with certified EU-GMP Standard suppliers, making it one of the only medical cannabis companies with fully integrated operations in Europe. IMC intends to leverage its operational experience and brand to establish a foothold in emerging medical cannabis markets including Germany, Portugal and Greece. IMC's core Israeli business includes offering branding, know-how and other intellectual property-related services to the Israeli medical cannabis market. Its key assets in Israel include commercial agreements with licensed producers and an option to purchase licensed entities. IMC has developed proprietary processes in its operations and is active in developing and investing in innovative technology for global medical cannabis consumers leveraging its reputation and expertise in the medical cannabis sector.

## **About Linneo Health S.L.**

Linneo Health, based in Spain, is an EU-GMP certified global supplier of medicinal cannabis for the pharmaceutical industry, with significant production capacities for flower, extracted products and APIs. Vertically integrated from seed to sale, and backed up by its 50 years of experience on both the agricultural and industrial production, Linneo Health brings to the market - through its partners - top quality cannabis products ensuring access to the product for the patients who need it. Its production capacity, together with its focus on quality and innovation, make Linneo Health the partner of choice for the medical cannabis industry.

## ***Financial Outlook***

The Company and its management believe that the estimated revenues and gross margins contained in this press release 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 laws. 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 previously announced 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 laws. 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 Company's control. See "Disclaimer for Forward Looking Statements" below.

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#### IM Cannabis Announces Delay in Filing its Q1 2020 Financial Statements and MD&A

**Toronto and Gili Yam, Israel, May 27, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC) announces that filing of the Company's interim financial statements for the three month period ended March 31, 2020 (the "Q1 Financial Statements") and associated management's discussion and analysis (the "Q1 MD&A", and collectively with the Q1 Financial Statements, the "Q1 Filings") will be postponed due to delays caused by the COVID-19 pandemic.

Although the Q1 Filings would ordinarily have been filed on or before June 1, 2020, pursuant to BC Instrument 51-515 *Temporary Exemption from Certain Corporate Finance Requirements* ("Blanket Order 51-515"), the Company has up to an additional 45 days from the deadline otherwise applicable under British Columbia securities laws to file the Q1 Filings, provided that it complies with certain requirements set out in Blanket Order 51-515. Accordingly, the Company is relying on the relief contained in Blanket Order 51-515 for its Q1 Financial Statements required by section 4.4 of National Instrument 51-102 and its Q1 MD&A required by subsection 5.1(2) of National Instrument 51-102.

The challenges posed by COVID-19 have resulted in a delay in the finalization and filing of the Q1 Filings. However, the Company's board of directors and its management confirm that they are working expeditiously to meet the Company's obligations relating to the filing of the Q1 Filings. At this time, the Company anticipates being able to complete the Q1 Filings by June 15, 2020.

During the extension period, until the Company has filed and announced the required Q1 Filings, management and other insiders of the Company will be subject to an insider trading black-out policy that reflects the principles in Section 9 of National Policy 11-207 - *Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions*.

Other than for what the Company has filed on SEDAR, there have been no material business developments since the date of the Company's annual financial statements for the year ended December 31, 2019, which were filed on April 21, 2020.

#### About IM Cannabis Corp.

IMC is an international medical cannabis company, and a well-known Israeli brand of medical cannabis products. In Europe, IMC has established a medical cannabis operation first with its distribution subsidiary in Germany and augmented by strategic agreements with certified EU-GMP Standard suppliers, making it one of the only medical cannabis companies with fully integrated operations in Europe. IMC's core Israeli business includes offering branding, know-how and other intellectual property-related services to the Israeli medical cannabis market. Its key assets in Israel include commercial agreements with licensed producers and an option to purchase licensed entities. IMC has developed proprietary processes in its operations and is active in developing and investing in innovative technology for global medical cannabis consumers leveraging its reputation and expertise in the medical cannabis sector.

#### Disclaimer for Forward-Looking Statements

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This press release contains forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "likely" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. The forward-looking information in this press release includes, without limitation, statements relating to the future filing of the Q1 Filings. Forward-looking information is subject to risks factors and other uncertainties that could cause actual results to differ materially from those contained in the forward-looking information, including, without limitation, the risks posed by any further, unexpected interruptions to the business and operations of the Company or of its service providers due to the COVID-19 pandemic. The Company does not undertake any obligation to update forward-looking information except as required by applicable securities laws. Investors should not place any undue reliance on forward-looking information.

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#### IMC Announces Record Harvest by Focus Medical and Update on Israeli Operations

- Focus Medical recently completed a semi-annual record harvest of over 3,000kg of medical cannabis
- Focus Medical's first two months of shipments of IMC-branded medical cannabis products to Super-Pharm and Panaxia totalled over 250kg
- Approximately 450kg of medical cannabis is expected for shipment in Q2 2020 under sales agreements with Super-pharm and Panaxia and 2,550kg of medical cannabis is expected for shipment in the latter half of 2020 under previously announced pharmacy sales agreements

*\* Currency is in CAD\$ unless specified otherwise*

**Toronto, Canada; and Gilil Yam, Israel - June 04, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), one of the world's pioneering medical cannabis companies with operations in Israel and across Europe, is pleased to announce that Focus Medical Herbs Ltd. ("Focus Medical") has produced a semi-annual record harvest of over 3,000kg of medical cannabis at its cultivation facility in Sde Avraham, Israel. Annualizing this semi-annual harvest equates to an annual operating capacity of 6,000kg of medical cannabis. Factoring in the expected production procured from its recently announced third-party supply agreements in Israel and abroad, Focus Medical estimates that its supply capacity of medical cannabis (all of which will be sold under the IMC brand) will reach over 8,000kg and 11,000kg in 2020 and 2021, respectively.

Furthermore, IMC has confirmed that Focus Medical has completed its first two months of shipments to Super-Pharm (Israel) Ltd. ("Super-Pharm") and Panaxia Labs Israel, Ltd. ("Panaxia" and together with Super-Pharm, the "Pharmacies") (TASE:PNAX) for over 250kg of IMC-branded medical cannabis products, pursuant to Focus Medical's previously announced pharmacy sales agreements with the Pharmacies, signed on April 13, 2020 and April 16, 2020 respectively. A total of 450kg of medical cannabis is expected to be delivered to the Pharmacies in Q2 2020 and 2,550kg of medical cannabis is expected to be shipped to other pharmacies in the second half of 2020 under previously announced pharmacy sales agreements. These estimates do not include shipments that are expected to be made to pharmacies that are not currently under binding agreements with Focus Medical.

**Oren Shuster, Chief Executive Officer of IMC** commented, "The cultivation team at Focus Medical has been perfecting its craft for over ten years now and have been instrumental to our brand's recognition for quality, purity and consistency. The record harvest produced by Focus Medical has been executed with ideal timing as shipments of IMC-branded products ramp up in Q2 2020 and throughout 2020 to pharmacies across Israel. As shipments in both Israel and Germany scale in the latter half of 2020, we are confident that shareholders will continue to realize the benefits of our team's execution and our step-by-step strategy to becoming a leading global medical cannabis brand."

#### Details of Sales and Supply Agreements

IMC has previously announced that Focus Medical has signed six binding sales agreements for the distribution of IMC-branded medical cannabis products in Israel. Total consolidated revenue from all binding sales agreements in Israel is expected to be \$193.5 million with an expected gross margin of 50% over the next three years. A total of 33,075kg of medical cannabis under the sales agreements will be delivered by Focus Medical to Israeli pharmacies between Q2 2020 and 2023, of which 3,000kg of the medical cannabis is expected to reach pharmacies in 2020.

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Supply of medical cannabis to fulfill these pharmacy sales agreements is now fully contracted. Focus Medical has signed and announced supply agreements with Cannomed Medical Cannabis Industries Ltd. (TASE:CNMD), Intelicanna Ltd. (TASE:INTL), Way of Life and Cannation, to supplement its own production and international supply from its EU-GMP certified partner in Spain.

#### **About IM Cannabis Corp.**

IMC is an international medical cannabis company, and a well-known Israeli brand of medical cannabis products. In Europe, IMC has established a medical cannabis operation first with its distribution subsidiary in Germany and augmented by strategic agreements with certified EU-GMP Standard suppliers, making it one of the only medical cannabis companies with fully integrated operations in Europe. IMC intends to leverage its operational experience and brand to establish a foothold in emerging medical cannabis markets including Germany, Portugal and Greece. IMC's core Israeli business includes offering branding, know-how and other intellectual property-related services to the Israeli medical cannabis market. Its key assets in Israel include commercial agreements with licensed producers and an option to purchase licensed entities. IMC has developed proprietary processes in its operations and is active in developing and investing in innovative technology for global medical cannabis consumers leveraging its reputation and expertise in the medical cannabis sector.

#### **About Focus Medical Herbs Ltd.**

Focus Medical is one of eight original licensed producers of medical cannabis in Israel and has over 10 years of experience growing high quality medical cannabis in the Israeli market. Focus Medical has an exclusive commercial agreement with IMC to distribute its production under the IMC brand. In addition to its own capacity, Focus Medical has supply agreements with two other cultivators for additional supply using its proprietary genetics and for sale under the IMC brand.

#### **About Superpharm (Israel) Ltd.**

Super-Pharm is a leading drugstore chain in Israel. Established in 1978 by Leon Koffler, the company now has 250 branches in Israel, selling an extensive range of pharmaceuticals, health products, vitamins, minerals, cosmetics, toiletries, and baby products.

#### **Panaxia Labs Israel, Ltd.**

Panaxia Labs Israel, Ltd. is a publicly traded company on the Tel Aviv Stock Exchange, trading under the symbol "PNAX." It is the largest Israeli manufacturer and home-delivery distributor of medical cannabis products, and the first to have received the approval of the Israeli Ministry of Health for the manufacturing of medicinal cannabis-based pharmaceuticals (under the IMC-GMP directive). The company manufactures over 30 hemp-based medicinal products and has accumulated a broad foundation of clinical experience based on tens of thousands of patients.

Panaxia is part of the Segal Pharma Group, owned by the Segal family and founded over forty years ago. The company manufactures over 600 different pharmaceutical products that are distributed in over 40 countries worldwide. Panaxia Labs Israel is a subsidiary of Panaxia Pharmaceutical Industries, co-founded by Dr. Dadi Segal, Dr. Eran Goldberg, and Assi Rotbart, Adv. as the cannabis division of the Segal Pharma Group. A sister subsidiary, Panaxia U.S., manufactures in North America over 60 hemp-based medicinal products, including sublingual tablets, lozenges, oils, and inhalators for the treatment of conditions such as PTSD, cancer, chronic pain, epilepsy, anorexia, burns, and many other ailments. Panaxia Group has over 150 employees, and all clinical trials are conducted in-house.

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The Segal Pharma Group additionally owns Luminera Derm, manufacturer of injectable dermal fillers, and Tree of Life Pharma, manufacturer of over-the-counter drugs.

### ***Financial Outlook***

The Company and its management believe that the estimated revenues and gross margins contained in this press release 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 laws. 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 previously announced 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 laws. 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 Company's control. See "Disclaimer for Forward Looking Statements" below.

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#### IM Cannabis Reports Q1/2020 Results and Strategic Milestones

- Focus Medical has now entered into pharmacy sales agreements in Israel to deliver \$193.5 million of medical cannabis over the next three years at an expected gross margin of 50%
- All supply for the pharmacy sales agreements has been secured, including initial shipments from Spain into Israel
- Momentum in revenue is expected to increase in Q2/2020 and gradually throughout the balance of the year

*\* Currency is in CAD\$ unless specified otherwise*

**Toronto and Gil Yam, Israel, June 5, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), one of the world's pioneering medical cannabis companies with operations in Israel and across Europe, is pleased to announce financial results for the three months ending March 31, 2020.

"The future for the IMC brand has never been as strong as it is today. This is the direct result of the execution of strategic milestones in 2020 that have increased both the international strategic supply sources, that will fulfil demand for IMC-branded medical cannabis, and the distribution partners, that will help deliver our products to physicians, pharmacists and patients in Israel and Europe. We expect that the foundation we have laid will support the momentum in sales beginning in Q2/2020, will gradually build throughout 2020 and continue to propel IMC to become a leading global brand in medical cannabis," said Oren Shuster, CEO of IMC.

#### Business Highlights

Highlights during the three months ended March 31, 2020:

- Established a joint venture and supply agreement in Greece with Galen Industries Single Member Societe Anonyme, whereby IMC will own a 25% interest in the joint venture and will be entitled to 25% of the medical cannabis produced by the joint venture at a preferred price for sale under the IMC brand;
- Supply agreements established between Focus Medical Herbs Ltd. ("Focus Medical") and Way of Life Ltd., Cannation Ltd. and Intelicanna Ltd. (TASE:INTL) for Focus Medical to acquire an aggregate of 8,800kg of medical cannabis for IMC-branded products over the next three years; and
- Focus Medical entered into a binding agreement to sell 800kg of IMC-branded medical cannabis a year to a group of pharmacies in Jerusalem over a period of three years, with a total contract value of approximately CAD\$15 million with expected gross margins of 50%.

Highlights subsequent to March 31, 2020:

- Focus Medical signed additional sales agreements to supply an aggregate of 33,075kg of IMC-branded medical cannabis to six groups of Israeli pharmacies, with retail pharmacies in addition to e-commerce and home delivery platforms, which are expected to generate \$193.5 million of consolidated revenue over the next three years, with expected gross margins of approximately 50%;
  - Focus Medical announced it has now secured all of the supply required to be delivered under the six binding pharmacy sales agreements it has signed, after entering into a supply agreement with a fifth independent supplier in Israel;
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- Announced Focus Medical's first successful import of medical cannabis from Spain into Israel from the Company's EU-GMP supply partner; and
- Signed three binding sales commitments with distributors in Germany for the delivery of over 825kg of IMC-branded medical cannabis products over the next twelve months.

#### Overview of results for the year and three months ended March 31, 2020

	For the period ended March 31,		For the year ended December 31,	
	2020	2019	2019	2018
Revenues ('000)	\$ 1,340	\$ 1,955	\$ 9,074	\$ 5,197
Gross margin before fair value impacts in cost of sales ('000)	\$ 631	\$ 783	\$ 4,313	\$ 3,422
Gross margin before fair value impacts in cost of sales (%)	47%	40%	48%	66%
Net Income (Loss) ('000)	\$ 200	\$ (6,591)	\$ (7,419)	\$ 2,627
Net Income (Loss) per share attributable to equity holders of the Company - Basic and Diluted (in CAD)	\$ (0.003)	\$ (0.056)	\$ (0.06)	\$ 0.02

	For the period ended March 31,	
	2020	2019
Operational Profit (Loss) ('000)	\$ 1,664	\$ (1,308)
Depreciation & Amortization ('000)	\$ 96	\$ 94
<b>EBITDA ('000)</b>	<b>\$ 1,760</b>	<b>\$ (1,214)</b>
IFRS Biological assets fair value adjustments, net ('000)	\$ (3,961)	\$ (519)
Share-based payments ('000)	\$ 494	\$ 549
Other Non-recurring costs ('000)	\$ -	\$ 618
<b>Adjusted EBITDA (Non-IFRS)('000)</b>	<b>\$ (1,707)</b>	<b>\$ (566)</b>

IMC reported revenues for the three-month period ended March 31, 2020 of \$1.3 million compared to \$2.0 million for the three-month period ended March 31, 2019. The variance in revenues was due to an intentional increase in inventory as the Company prepared to fulfil volume commitments under previously announced pharmacy sales agreements that began in April 2020.

Adjusted EBITDA loss was \$1.7 million for the three-month period ended March 31, 2020, compared to a loss of \$0.6 million in the prior year. Adjusted EBITDA was impacted by the variance in revenue, as well as increases to operating expenses, which included new marketing and corporate initiatives in both Germany and Israel.

Net income for the three-month period ended March 31, 2020 was \$0.2 million compared to a net loss of \$6.6 million for the three-month period ended March 31, 2019. This variance was due to factors relating to the fair value adjustments of inventory and biological assets in the amount of \$4 million for the three-month period ended March 31, 2020, as well as \$5 million expenses for fair value adjustment of warrants in the three-month period ended March 31, 2019.

The complete unaudited financial statements and related management's discussion and analysis for the three months ended March 31, 2020, will be available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

### **About IM Cannabis Corp.**

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### **About Focus Medical Herbs Ltd.**

Focus Medical is one of eight original licensed producers of medical cannabis in Israel and has over 10 years of experience growing high quality medical cannabis in the Israeli market. Focus Medical has an exclusive commercial agreement with IMC to distribute its production under the IMC brand. In addition to its own capacity, Focus Medical has supply agreements with two other cultivators for additional supply using its proprietary genetics and for sale under the IMC brand.

IMC currently operates in the Israeli medical cannabis market by providing intellectual property and services to licensed producers. Focus Medical, a licensed medical cannabis producer in Israel with whom the Company has exclusive commercial agreements, is the first major Israeli licensed producer to utilize the Company's intellectual property and know-how. Neither the Company nor any of its subsidiaries currently hold, directly or indirectly, any licenses to engage in the cultivation, production, processing, distribution or sale of medical cannabis in Israel. However, under International Financial Reporting Standards ("IFRS") 10, the Company is required to consolidate the results of Focus, a licensed propagator and cultivator of medical cannabis under the current Israeli regulatory regime, in its current financial results.

### ***Financial Outlook***

The Company and its management believe that the estimated revenues and gross margins contained in this press release 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 laws. 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 sale of IMC-branded medical cannabis products by Focus Medical 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 laws. 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 Company's control. See "Disclaimer for Forward Looking Statements" below.

### ***Non-IFRS Measures***

This press release makes reference to certain non-IFRS financial measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. These measures are provided as additional information to complement the IFRS financial measures contained herein by providing further metrics to understand the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. The Company uses non-IFRS financial measures, including EBITDA and adjusted EBITDA to provide investors with supplemental measures of the Company's operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company's management also uses non-IFRS financial measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and forecasts and to assess its ability to meet its capital expenditure and working capital requirements. Please see "Metrics and Non-IFRS Financial Measures" in the Company's Management's Discussion and Analysis for the Period Ended March 31, 2020 for a reconciliation of these non-IFRS financial measures to the nearest IFRS measures, which is available on [www.sedar.com](http://www.sedar.com).

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### ***Disclaimer for Forward-Looking Statements***

This press release contains forward-looking statements within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "likely" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. The forward-looking statements in this press release include, without limiting the foregoing, statements relating to sales expectations for the remainder of 2020, the Company becoming a leading global brand in medical cannabis, the Company's projected revenue and gross margin over the next three years as a result of Focus Medical's recent sales agreements with certain Israeli pharmacy groups, the expected amount of IMC-branded medical cannabis to be supplied by Focus Medical over the next three years to such Israeli pharmacy groups, the expected amount of medical cannabis to be sourced from third party suppliers by Focus Medical, the Company's joint venture in Greece, the Company's ability to continue to invest in its business despite the recent volatility in the cannabis markets and COVID-19 and the Company's strategic plans. Forward-looking statements are subject to business and economic risks and uncertainties and other factors that could cause actual results of operations to differ materially from those contained in the forward-looking statements, including, without limitation: the ability of the Company to comply with applicable government regulations in a highly regulated industry; unexpected changes in governmental policies, views and regulations affecting the production, cultivation licenses, distribution, manufacture or use of medical cannabis in Israel, Germany, Portugal, Greece or any other foreign jurisdictions in which the Company intends to operate; unexpected disruptions to the operations and businesses of the Company and/or Focus Medical as a result of the COVID-19 global pandemic or other disease outbreaks including in the event that Focus Medical were to lose its designation as an essential service in the State of Israel during the current COVID-19 outbreak; any unexpected failure of Focus Medical to renew its cultivation license with the Israeli Ministry of Health; reliance on management; inconsistent public opinion and perception regarding the use of cannabis; engaging in activities considered illegal under US federal law; political instability and conflict in the Middle East; adverse market conditions; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; currency fluctuations; competition; and loss of key management and/or employees. Please see the Company's Form 2A Listing Statement which is available under the Company's profile on SEDAR for additional related risks factors that could materially affect the Company's operations and financial results. The Company does not undertake any obligation to update forward-looking statements except as required by applicable securities laws. Investors should not place undue reliance on forward-looking statements.

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**IM CANNABIS CORP.**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**As of March 31, 2020**

**(Unaudited)**



**IM CANNABIS CORP.**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**As of March 31, 2020**  
**Canadian dollars in thousands**  
**(Unaudited)**  
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## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian Dollars in thousands

	Note	March 31, 2020 (Unaudited)	December 31, 2019
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents		\$ 11,703	\$ 13,926
Trade receivables		1,795	1,810
Advances to suppliers		2,858	2,565
Other accounts receivable		177	516
Biological assets	3	5,420	52
Inventories	4	4,909	5,422
		<u>26,862</u>	<u>24,291</u>
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment, net		4,340	3,392
Investments		998	912
Right-of-use assets, net		1,097	1,023
Deferred tax assets		73	89
Intangible assets, net		1,050	889
Goodwill		316	298
		<u>7,874</u>	<u>6,603</u>
Total assets		<u>\$ 34,736</u>	<u>\$ 30,894</u>

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

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian Dollars in thousands

	Note	March 31, 2020 (Unaudited)	December 31, 2019
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Trade payables		\$ 1,515	\$ 992
Other accounts payable and accrued expenses		1,247	1,458
Current maturities of lease liabilities		195	159
		<u>2,957</u>	<u>2,609</u>
<b>NON-CURRENT LIABILITIES:</b>			
Deferred tax liability, net		2,085	826
Warrants measured at fair value	5	34	197
Employee benefit liabilities, net		279	262
Lease liabilities		940	891
		<u>3,338</u>	<u>2,176</u>
Total liabilities		<u>6,295</u>	<u>4,785</u>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:</b>			
Share capital and premium	6	25,947	25,947
Translation reserve		1,832	309
Reserve from share-based payment transactions		3,171	2,677
Retained earnings (accumulated deficit)		(4,690)	(4,273)
Total equity attributable to equity holders of the Company		<u>26,260</u>	<u>24,660</u>
Non-controlling interests		<u>2,181</u>	<u>1,449</u>
Total equity		<u>28,441</u>	<u>26,109</u>
Total liabilities and equity		<u>\$ 34,736</u>	<u>\$ 30,894</u>

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)**

Canadian Dollars in thousands, except per share data

	Note	Three months ended March 31,	
		2020	2019
Revenues		\$ 1,340	\$ 1,955
Cost of revenues		709	1,172
<b>Gross profit before fair value adjustments</b>		<b>631</b>	<b>783</b>
Fair value adjustments:			
Unrealized change in fair value of biological assets		4,471	1,739
Realized fair value adjustments on inventory sold in the period		(510)	(1,220)
Total fair value adjustments		3,961	519
<b>Gross profit</b>		<b>4,592</b>	<b>1,302</b>
General and administrative expenses		1,930	1,742
Selling and marketing expenses		477	265
Research and development expenses		27	54
Share-based compensation		494	549
Total operating expenses		2,928	2,610
<b>Operating profit (loss)</b>	7	<b>1,664</b>	<b>(1,308)</b>
Finance income		224	11
Finance expense		(507)	(5,099)
Finance expenses, net		(283)	(5,088)
Income (loss) before income taxes		1,381	(6,396)
Income tax expense		(1,181)	(195)
<b>Net income (loss)</b>		<b>200</b>	<b>(6,591)</b>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation to presentation currency		1,648	107
Total other comprehensive income that will not be reclassified to profit or loss in subsequent periods		1,648	107
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:			
Adjustments arising from translating financial statements of foreign operation		(10)	-
Total other comprehensive income that will not be reclassified to profit or loss in subsequent periods		(10)	-
Total other comprehensive income		1,638	107
Total comprehensive income (loss)		<u>\$ 1,838</u>	<u>\$ (6,484)</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)**

**Canadian Dollars in thousands, except per share data**

Net income (loss) attributable to:			
Equity holders of the Company		(417 )	(6,727)
Non-controlling interests		617	136
		<u>200</u>	<u>(6,591)</u>
Total comprehensive income (loss) attributable to:			
Equity holders of the Company		1,106	(6,663)
Non-controlling interests		732	179
		<u>1,838</u>	<u>(6,484)</u>
Net income (loss) per share attributable to equity holders of the Company			
Basic and diluted net loss per share (in CAD):	8	<u>(0.003)</u>	<u>(0.056)</u>

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

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Canadian Dollars in thousands

	Attributable to equity holders of the Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Reserve from share-based payment transactions	Translation reserve	Retained earnings (accumulated deficit)			
Balance as of January 1, 2020	\$ 45	\$ 25,902	\$ 2,677	\$ 309	\$ (4,273)	\$ 24,660	\$ 1,449	\$ 26,109
Share based payment	-	-	494	-	-	494	-	494
Net income (loss)	-	-	-	-	(417)	(417)	617	200
Other comprehensive income (loss)	-	-	-	1,523	-	1,523	115	1,638
Balance as of March 31, 2020	45	25,902	3,171	1,832	(4,690)	26,260	2,181	28,441
Balance as of January 1, 2019	45	7,054	-	43	3,040	10,182	1,429	11,611
Share based payment	-	-	549	-	-	549	-	549
Share based compensation of subsidiary	-	-	-	-	-	-	61	61
Net income (loss)	-	-	-	-	(6,727)	(6,727)	136	(6,591)
Other comprehensive income (loss)	-	-	-	64	-	64	43	107
Balance as of March 31, 2019	\$ 45	\$ 7,054	\$ 549	\$ 107	\$ (3,687)	\$ 4,068	\$ 1,669	\$ 5,737

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

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Canadian Dollars in thousands

	Three months ended March 31,	
	2020	2019
Cash provided by (used in) operating activities:		
Net income (loss) for the period	\$ 200	\$ (6,591)
Adjustments for non-cash items:		
Unrealized gain on changes in fair value of biological assets	(4,471)	(1,739)
Fair value adjustment on sale of inventory	510	1,220
Fair value adjustment on warrants measured at fair value	(167)	4,933
Depreciation of property, plant and equipment	147	54
Amortization of intangible assets	(102)	-
Depreciation of right-of-use assets	51	24
Finance expenses, net	16	-
Share-based payment	494	607
Changes in employee benefit liabilities, net	2	(6)
Deferred tax liability, net	1,181	136
	(2,339)	5,229
Changes in working capital:		
Decrease (increase) in trade receivables, net	121	(72)
Decrease in other accounts receivable	232	87
Increase in biological assets, net of fair value adjustments	(678)	(91)
Decrease in inventories, net of fair value adjustments	301	294
Increase in trade payables	644	67
Increase (decrease) in other accounts payable and accrued expenses	(288)	620
	332	731
Taxes paid	(201)	(42)
Net cash used in operating activities	(2,008)	(675)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(851)	(194)
Acquisition of subsidiary (schedule A)	-	(1,316)
Increase in restricted cash	-	(1,077)
Net cash used in investing activities	\$ (851)	\$ (2,587)

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

Canadian Dollars in thousands

	Three months ended March 31,	
	2020	2019
<u>Cash flow from financing activities:</u>		
Repayment of lease liability	(42)	(28)
Interest paid - lease liability	(17)	(20)
Net cash used in financing activities	(59)	(48)
Effect of foreign exchange on cash and cash equivalents	695	234
Decrease in cash and cash equivalents	(2,223)	(3,076)
Cash and cash equivalents at beginning of the period	13,926	7,591
Cash and cash equivalents at end of the period	<u>\$ 11,703</u>	<u>\$ 4,515</u>

Schedule A - Acquisition of a subsidiary:

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

Working capital deficit (excluding cash and cash equivalents)	\$ -	\$ 166
Bank credit	-	(321)
Bank loan	-	(624)
Property, plant and equipment	-	1,074
Intangible assets	-	994
Goodwill	-	293
Deferred tax liability	-	(266)
	<u>\$ -</u>	<u>\$ 1,316</u>

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

## NOTE 1:- GENERAL

a. Corporate information:

IM Cannabis Corp. (the "Company" or "IMCC") is listed on the Canadian Securities Exchange ("CSE") under the ticker symbol "IMCC". IMCC's main office is located in Kibutz Glil-Yam, Israel.

IMC 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 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], 5733 - 1973 (the "Dangerous Drugs Ordinance"), and the related regulations issued by IMCA (see Note 1b).

The Company, its subsidiaries and Focus (the "Group") operate in one reporting segment. The revenues of the Group are generated from sales of medical cannabis products to customers in Israel. 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.

These financial statements have been prepared in a condensed format as of March 31, 2020, and for the three months then ended ("interim condensed consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2019, and for the year then ended and accompanying notes ("annual consolidated financial statements").

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. In addition, global equity markets have experienced significant volatility and weakness.

To date, the COVID-19 pandemic has not had a material negative impact on the Company's results of operations. The Company, as well as its distribution channels are considered essential businesses (food and drug retailers) that continue to operate during this period. However, the duration and severity of the COVID-19 pandemic is unknown at this time and the Company is unable to predict the effect should the situation continue for a prolonged period.



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

## NOTE 1:- GENERAL (Cont.)

## b. Approval of Interim Condensed Consolidated Financial Statements:

These interim condensed consolidated financial statements of the Company were authorized for issue by the board of directors on June 5, 2020

c. Strategic Developments:

1. On January 23, 2020, IMC signed definitive agreements to establish a medical cannabis cultivation and processing joint venture in Greece (the "Joint Venture") with Galen Industries Single Member Societe Anonyme, a Greek company established by a consortium of investors in Greece with extensive experience in the pharmaceutical, media, finance and energy sectors ("Galen").

IMC will own 25% of the Joint Venture and the remaining 75% of the Joint Venture will be owned by Galen. Each party is committed to fund the initial capital expenditures, totaling approximately up to €8,000,000 (\$11,675 ) to fund the construction of an EU-GMP certified cultivation and processing facility in Greece. IMC will invest up to €1,500,000 (\$2,189) into the Joint Venture, with the balance funded by Galen. Execution of the Joint Venture's business plan will start immediately and construction of greenhouses as well as the EU-GMP facility is expected to begin upon receiving the Establishment Approval from the Greek medical cannabis regulatory authorities. The Joint Venture land plot size is expected to be 100,000 to 180,000 square meters (or 1,076,000 to 1,938,000 square feet).

In addition, the Joint Venture and IMC have signed a preferred supply agreement (the "Supply Agreement"). Under the Supply Agreement, IMC has the right to purchase up to 25% of the total production from the Joint Venture at a preferred price as determined in the agreement, for an initial period of five years. IMC expects to gain commercial and competitive advantages by supplying the German market and other emerging markets across Europe with EU-GMP medical cannabis products from the Joint Venture's facility in Greece at preferred terms.

2. On March 23, 2020, Focus signed a Supply agreement (the "Intelicanna Supply Agreement") with Intelicanna Ltd. ("Intelicanna") for a minimum of 500kg and up to 1,000kg of medical cannabis. Additional purchases may be made by Focus under the agreement without a change to the contracted price paid to Intelicanna. The finished products will be sold to pharmacies in Israel under the IMC brand. The Intelicanna Supply Agreement is for a term of 12 months from the date of the first planting in Intelicanna's facility is contingent on Intelicanna receiving IMC-GAP approval by June 15, 2020.

Intelicanna will obtain access to Focus Medical's unique and proprietary genetics for the purpose of delivering product under the Intelicanna Supply Agreement but the genetics will remain the exclusive property of Focus Medical. Intelicanna may not sell, transfer or perform research with the genetics it accesses through this Supply Agreement without consent from Focus Medical. Under the Intelicanna Supply Agreement, Intelicanna is responsible for all production activities under Focus' supervision and quality control practices throughout the growing process at Intelicanna's site.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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Canadian Dollars in thousands, except share and per share data

## NOTE 1:- GENERAL (Cont.)

3. On March 30, 2020, Focus signed a binding three-year Sale agreement for the sale of medical cannabis (the "Sale Agreement") to three pharmacies in Jerusalem operating under the Oranim Pharm and Medi Plus banners (the "Pharmacies").

Focus will supply the Pharmacies a total of 800kg of medical cannabis annually for a period of three years. The total quantity of medical cannabis to be delivered under the Sale Agreement is 2,400kg and the Pharmacies are obligated to purchase the entire quantity at a contracted price pursuant to the Sale Agreement.

4. On March 31, 2020, Focus signed a three-year definitive Supply agreement (the "Supply Agreement") with Way of Life Ltd. and Cannation Ltd. ("Way of Life" and "Cannation", respectively, or the "Suppliers") to purchase a total of approximately 2,600kg of medical cannabis per year, for a total of up to 7,800kg of medical cannabis over three years. All finished products under the Supply agreement will bear the IMC brand and be sold to pharmacies in Israel.

Way of Life is an IMC-GAP certified cultivator and is dedicating a 1,301 square meters (14,000 square feet). space at its facility for the cultivation of Focus' proprietary medical cannabis strains. The Supply Agreement with Cannation calls for a 5,017 square meters (54,000 square feet) area for the cultivation of Focus' proprietary medical cannabis strains, with the option to increase the dedicated area by an additional 10,034 square meters (108,000 square feet), and is contingent on Cannation receiving IMC-GAP certification by August 22, 2020.

The Suppliers will obtain access to Focus Medical's unique and proprietary genetics for the purpose of delivering products under the Supply Agreement but the genetics will remain the exclusive property of Focus. The Suppliers may not sell, transfer or perform research with the genetics it accesses through this Supply Agreement without consent from Focus. Under the Supply Agreement, Focus will have access to the Suppliers' growing facilities to monitor the entire growing process.

See also Note 9, Subsequent Events.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

## NOTE 1:- GENERAL (Cont.)

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

## a. Basis of Presentation and Measurement:

The interim condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34").

The interim condensed consolidated financial statements are presented in Canadian dollars and are prepared in accordance with the same accounting policies, described in the Company's annual consolidated financial statements, except for the adoption of new accounting standards identified in Note 2(c).

## b. Significant Accounting Policies:

The preparation of the Company's interim condensed consolidated financial statements under IFRS requires management to make judgements, estimates, and assumptions about the carrying amounts of certain assets and liabilities. Estimates and related assumptions are based on historical experience and other relevant factors. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis for reasonableness and relevancy. Where revisions are required, they are recognized in the period in which the estimate is revised as well as future periods that are affected.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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Canadian Dollars in thousands, except share and per share data

## NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- c. New or Amended Standards Effective January 1, 2020:  
*IFRS 3, "Business Combinations":*

In October 2018, the IASB issued an amendment to the definition of a "business" in IFRS 3, "Business Combinations" ("the Amendment"). The 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 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 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. The adoption of this Amendment is not expected to have a material effect on the consolidated financial statements.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

## NOTE 3:- BIOLOGICAL ASSETS

The Company's biological assets consist of cannabis plants. The changes in the carrying value of biological assets are as follows:

Balance at January 1, 2020	\$	52
Production costs capitalized		678
Changes in fair value less cost to sell due to biological transformation		4,471
Transferred to inventory upon harvest		-
Foreign exchange translation		219
Balance at March 31, 2020	\$	<u>5,420</u>

As of March 31, 2020, and December 31, 2019, the weighted average fair value less cost to sell was \$4.10 and \$2.66 per gram, respectively.

The fair value of biological assets is categorized within Level 3 of the fair value hierarchy.

The following inputs and assumptions were used in determining the fair value of biological assets:

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 a 10% increase/decrease in each input would have on the fair value of biological assets:

	March 31, 2020	December 31, 2019	10% change as at	
			March 31, 2020	December 31, 2019
Average selling price per gram of dried cannabis (in CAD)	\$ 5.11	\$ 3.39	\$ 611.2	\$ 6.2
Average post-harvest costs per gram of dried cannabis (in CAD)	\$ 0.76	\$ 0.73	\$ 91	\$ 0.9
Attrition rate	4%	6%	\$ 23.1	\$ 0.4
Average yield per plant (in grams)	126	94	\$ 520	\$ 5.2
Average stage of growth	62%	5%	\$ 520	\$ 5.2

The Company'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.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

## NOTE 4:- INVENTORIES

The following is a breakdown of inventory at March 31, 2020:

	March 31, 2020		
	Capitalized costs	Fair valuation adjustment	Carrying value
Work in progress:			
Bulk cannabis	\$ 735	\$ 1,694	\$ 2,429
Finished goods			
Packaged dried cannabis	839	1,445	2,284
Other	196	-	196
Balance as at March 31, 2020	<u>\$ 1,770</u>	<u>\$ 3,139</u>	<u>\$ 4,909</u>

The following is a breakdown of inventory at December 31, 2019:

	December 31, 2019		
	Capitalized costs	Fair valuation adjustment	Carrying value
Work in progress:			
Bulk cannabis	\$ 693	\$ 1,596	\$ 2,289
Finished goods			
Packaged dried cannabis	922	1,849	2,771
Other	362	-	362
Balance as at December 31, 2019	<u>\$ 1,977</u>	<u>\$ 3,445</u>	<u>\$ 5,422</u>

During the three months ended March 31, 2020 and 2019, inventory expensed to cost of goods sold was \$1,218 and \$2,392, respectively, which included \$510 and \$1,220 of non-cash expense, respectively, related to the changes in fair value of inventory sold.

Cost of revenues in three months period ended March 31, 2020 and 2019, also include production overhead not allocated to costs of inventories produced and recognized as an expense as incurred.

## NOTE 5:- 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.

	Fair Value Method
<i>Financial Instruments Measured at Fair Value</i>	
Warrants *)	Black & Scholes model
<i>Financial Instruments Measured at Amortized Cost</i>	
Cash and cash equivalents, Trade receivables and other account receivables	Carrying amount (approximates fair value due to short-term nature)
Bank credit and loan, trade Payables, other accounts payable and accrued expenses	Carrying amount (approximates fair value due to short-term nature)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

## NOTE 5:- FINANCIAL INSTRUMENTS (Cont.)

\*) The fair value of Warrants is categorized within Level 3 of the fair value hierarchy. The fair value was measured using the following key assumptions:

	March 31, 2020	December 31, 2019	Sensitivity
Expected volatility	74%	64%	Increase (decrease) in key assumptions would result in increase (decrease) in fair value.
Expected life (in years)	0.2	0.45	
Risk-free interest rate	0.36%	1.76%	Increase (decrease) in key assumptions would result in decrease (increase) in fair value.
Expected dividend yield	0%	0%	
Fair value:			
Per Warrant (Canadian Dollar)	\$ 0.003	\$ 0.02	
Total Warrants (Canadian Dollar in thousands)	\$ 34	\$ 197	

## NOTE 6:- EQUITY

Composition of share capital:

	March 31, 2020		December 31, 2019	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
Ordinary shares without par value	Unlimited	145,743,283	Unlimited	145,743,283

Ordinary 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. In addition, the issued and outstanding share capital is represented retrospectively after split of 1:10.

## NOTE 7:- SELECTED STATEMENTS OF PROFIT OR LOSS DATA

	Three months ended March 31,	
	2020	2019
Salaries and related expenses	\$ 1,127	\$ 760
Professional fees	\$ 927	\$ 242
Depreciation and amortization	\$ 96	\$ 94

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

## NOTE 8:- NET EARNINGS (LOSS) PER SHARE

Details of the number of shares and income (loss) used in the computation of earnings per share:

	Three months ended March 31,			
	2020		2019	
	Weighted average number of shares (in thousands)	Net loss attributable to equity holders of the Company	Weighted average number of shares (in thousands)	Net loss attributable to equity holders of the Company
For the computation of basic net earnings	145,743	\$ (417 )	122,827	\$ (6,727) )
Effect of potential dilutive Ordinary shares	-	-	-	-
For the computation of diluted net earnings	145,743	\$ (417)	122,827	\$ (6,727) )

## NOTE 9:- SUBSEQUENT EVENTS

- a. On April 6, 2020, Focus signed a binding two-year sales agreement for the sale of IMC branded medical cannabis with Shor Tabachnik pharmacies ("Tabachnik") (the "Tabachnik Sale Agreement"). According to the Tabachnik Sale agreement, Focus will supply Tabachnik 1,000Kg of IMC branded medical cannabis products annually through the duration of the Tabachnik Sale Agreement at a contracted price pursuant to the Tabachnik Sale Agreement.
- b. On April 13, 2020, Focus signed a binding three-year agreement for the sale of 13,575kg of IMC branded medical cannabis products to Super-Pharm (Israel) Ltd. ("Super-Pharm") (the "SP Sale Agreement"). According to the SP Sale Agreement, Focus will sell to Super-Pharm with a total 13,575Kg of IMC branded medical cannabis over the next three years as follows: 2,270kg in 2020, 4,980kg in 2021, and 6,325kg in 2022. Medical cannabis products sold under the Sales Agreement will include both dry flower and extract products at a contracted price pursuant to the SP Sale Agreement.
- c. On April 13, 2020, Focus signed a one-year binding agreement for the sale of 1,000kg IMC branded medical cannabis to Panaxia Labs Israel, Ltd. ("Panaxia") (the "Panaxia Sale Agreement"). Under the Panaxia Sale Agreement, Panaxia will have deliveries beginning in April 2020 with 1,000kg contracted for sale over the next 12 months at a contracted price pursuant to the Panaxia Sale Agreement.
- d. On April 14, 2020, Focus signed an agreement for the sale of up to 1,500kg over three years of IMC branded medical cannabis to Max Pharm Ltd. ("Max Pharm") (the "MP Sale Agreement"). Under the MP Sale Agreement, Max Pharm will have deliveries beginning in 2021 with annual 500kg at a contracted price pursuant to the MP Sale Agreement. Max Pharm has an option to increase the annual capacity in 2021, 2022 and 2023 for an additional 500kg in each year, for a total potential volume of 1,500kg over three years.
- e. On April 21, 2020, Focus signed a binding three-year agreement for the sale of 12,600kg of IMC branded medical cannabis products to PharmYarok Ltd. ("PharmYarok") (the "PY Sale Agreement"). According to the PY Sale Agreement, Focus will sell to PharmYarok with a total 12,600Kg of IMC branded medical cannabis between 2021 and 2023 in equal annual volumes of 4,200kg, at a contracted price pursuant to the PY Sale Agreement, subject to PharmYarok meeting regulatory requirements. Medical cannabis products sold under the PY Sale Agreement will include both dry flower and extract products at a contracted price pursuant to the PY Sale Agreement.



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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Canadian Dollars in thousands, except share and per share data

## NOTE 9:- SUBSEQUENT EVENTS (Cont.)

- f. On May 5, 2020, according to the share purchase agreement (the "SPA") with Xinteza API Ltd. ("Xinteza"), dated December 26, 2019, the Company paid the second installment in the amount of US\$ 200 thousand (\$283 ) for the purchase of 4,480 Preferred Shares, which represents on an if-converted and fully diluted basis, approximately 3% of the outstanding share capital of Xinteza. As of March 31, 2020, the Company holds a total of 13.5% of the outstanding share capital of Xinteza on an if-converted and fully diluted basis.
- g. On May 7, 2020, AdjuPharm signed a definitive twelve-month sales agreement with two distributors in Germany for 360kg of medical cannabis over the next twelve months.
- h. On May 12, 2020, AdjuPharm signed a twelve-month sales agreement with a medical cannabis distributor in Germany, according to which, the distributor will purchase a total of 465kg of IMC branded medical cannabis products over the next year, out of this, 190kg is expected to be delivered until the end of 2020.
- i. On May 19, 2020 Adjupharm received an approval to import 4,000kg of medical cannabis into Germany from additional foreign suppliers, pursuant to a license extension (the "License") granted by the German Medical Regulatory Authority ("GMRA"). All future imports of medical cannabis will be made under this License, allowing to import either bulk products, such as dry flowers and Dronabinol and extract products for end-products.
- j. Subsequent to the reporting period and through June 4, 2020, the Company has received \$4,288 proceeds from Warrants and Compensation options exercised, which were issued in May through June, 2018, with expiration dates between May through June, 2020 (the "Warrants and Compensation options"). A total of 8,821,950 Warrants and Compensation options were exercised, representing 66% of the total Warrants and Compensation options quantity, at a price of \$0.50 per Warrant and \$0.40 per Compensation option.

**Form 52-109FV2**  
***Certification of Interim Filings***  
***Venture Issuer Basic Certificate***

I, Shai Shemesh, the Chief Financial Officer of IM Cannabis Corp. certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of IM Cannabis Corp. (the "issuer") for the interim period ended March 31, 2020.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: June 5, 2020

"Shai Shemesh"

Shai Shemesh

Chief Financial Officer

**NOTE TO READER**

In contrast to the usual certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), namely, Form 52-109F1, this Form 52-109F1-IPO/RTO does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of an issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

**Form 52-109FV2**  
***Certification of Interim Filings***  
***Venture Issuer Basic Certificate***

I, Oren Shuster, the Chief Executive Officer of IM Cannabis Corp. certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of IM Cannabis Corp. (the "issuer") for the interim period ended March 31, 2020.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: June 5, 2020

*"Oren Shuster"*

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Oren Shuster

Chief Executive Officer

**NOTE TO READER**

In contrast to the usual certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), namely, Form 52-109F1, this Form 52-109F1-IPO/RTO does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

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**IM Cannabis Corp.**

**Management's Discussion and Analysis**

For the Three Months Ended March 31, 2020

June 5, 2020

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**IM Cannabis Corp.****Management's Discussion and Analysis****For the Three Months Ended March 31, 2020 and 2019**

This Management's Discussion and Analysis ("MD&A") reports on the consolidated financial condition and operating results of IM Cannabis Corp. (the "Company" or "IMCC") for the three months ended March 31, 2020 and 2019. Throughout this MD&A, unless otherwise specified, "IMCC", "the Company", "we", "us" or "our" refer to IM Cannabis Corp. The Company was established in connection with the November 6, 2018 definitive business combination agreement, between Navasota Resources Inc. ("Navasota") and IMC Holdings Ltd. ("IMC") which constituted a Reverse Takeover Transaction (as defined herein) of Navasota by the shareholders of IMC.

This MD&A should be read in conjunction with the audited financial statements of the Company and notes thereto for the year ended December 31, 2019 (the "Annual Financial Statements").

The Annual Financial Statements have been prepared by management in accordance with the International Financial Reporting Standards ("IFRS"). IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amount of assets and liabilities at the date of the 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.

IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amount of assets and liabilities at the date of the 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 consolidated financial statements include the accounts of the Company, Focus Medical Herbs Ltd. ("Focus") and its subsidiaries: IMC, I.M.C. – International Medical Cannabis Portugal Unipessoal, Lda., IMC Ventures Ltd., and Adjupharm GmbH ("Adjupharm"). All intercompany balances and transactions were eliminated on consolidation.

All amounts in the MD&A are expressed in Canadian Dollars (\$) in thousands, unless otherwise noted.

**CAUTION CONCERNING FORWARD-LOOKING STATEMENTS**

Certain statements in this MD&A may contain "forward-looking information," within the meaning of applicable securities laws (collectively referred to herein as "forward-looking statements"). Such statements include, but are not limited to, statements with respect to expectations, projections, or other characterizations of future events or circumstances, and our objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to our plans and objectives, or estimates or predictions of actions of customers, suppliers, competitors or regulatory authorities. These statements are subject to certain risks, assumptions and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words "believe", "plan", "intend", "estimate", "expect", or "anticipate", and similar expressions, as well as future or conditional verbs such as "will", "should", "would", and "could" often identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance.

**Management's Discussion and Analysis**

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With respect to forward looking statements contained in this MD&A, the Company has made assumptions and applied certain factors regarding, among other things: future cannabis pricing; cannabis production yields; costs of inputs; its ability to market the IMCC brand and its services successfully to its anticipated clients; reliance on management; the ability of the Company to comply with applicable regulatory requirements in a highly regulated industry; the failure of Focus to renew its cultivation license with the Israeli Ministry of Health; regulatory authorities in Israel viewing the Company as the deemed owner of more than 5% of Focus in contravention of Israeli rules; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel, Germany, Portugal, Greece or any foreign jurisdictions in which the Company intends to operate; the application of federal and provincial environmental laws; the impact of increasing competition; inconsistent public opinion and perception regarding the use of cannabis; engaging in activities considered illegal under US federal law; political instability and conflict in the Middle East; adverse market conditions; unexpected business disruptions due to COVID-19 and other disease outbreaks; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; currency fluctuations; and loss of key management and/or employees.

These forward-looking statements are also subject to the risks and uncertainties discussed in the "Risks 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 which are available at [www.sedar.com](http://www.sedar.com). Forward-looking statements are not guaranteeing of future performance and involve risks, uncertainties, and assumptions which could cause actual results to differ materially from the conclusions, forecasts, or projections anticipated in these forward-looking statements. Because of these risks, uncertainties, and assumptions, the reader should not place undue reliance on these forward-looking statements. The Company's forward-looking statements are made only as of the date of this MD&A, and except as required by applicable law, IMCC undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances.

**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 laws. 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 "Subsequent 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 laws. 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 Company'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 which are available at [www.sedar.com](http://www.sedar.com).

**Management's Discussion and Analysis**

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**NON-IFRS FINANCIAL MEASURES**

Certain financial measures used in this MD&A do not have any standardized meaning under IFRS, including "EBITDA" and "Adjusted EBITDA". 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.

## Management's Discussion and Analysis

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### OVERVIEW OF THE COMPANY

#### Company Background

The Company was established in connection with the November 6, 2018, definitive business combination agreement, between Navasota and IMC which constituted a Reverse Takeover Transaction (as defined herein) of Navasota by the shareholders of IMC. IMC is currently a wholly-owned subsidiary of the Company.

Internationally, the Company has established a vertically integrated medical cannabis business in Germany. Subject to obtaining applicable governmental and regulatory approvals, the Company has expansion plans for additional European markets including, but not limited to, Greece and Portugal. The Company's core Israeli business includes offering branding and intellectual property-related services to the Israeli medical cannabis market. The Company's major Israeli assets include the Option Agreements to purchase the Licensed Entities from the Principals and the Commercial Agreements (capitalized terms as defined herein), as well as holdings in an innovation-focused company. The Company's major international assets include material holdings in a fully licensed medical cannabis distribution company in Germany, a 25% interest in a cultivation joint venture in Greece and a subsidiary in Portugal.

The Company operates in the field of medical cannabis by providing intellectual property and services to licensed producers (each an "LP"). Focus, a licensed medical cannabis producer in Israel with whom the Company has exclusive commercial agreements, is the first major Israeli LP to utilize the Company's intellectual property and know-how.

Neither the Company nor any of its subsidiaries currently hold, directly or indirectly, any licenses to engage in the cultivation, production, processing, distribution or sale of medical cannabis in Israel. However, under IFRS 10, the Company is required to consolidate the results of Focus, a licensed propagator and cultivator of medical cannabis under the current Israeli regulatory regime. As such, all financial information in this MD&A is presented on a consolidated basis reflecting the results of the Company, its subsidiaries and Focus (the "Group"). Focus operates under the regulations of medical cannabis by the Israeli Ministry of Health (the "MOH") through the Israel Medical Cannabis Agency (the "IMCA") to breed, grow, and supply medical cannabis products in Israel. All of Focus' operations are performed pursuant to the Israeli DANGEROUS DRUGS ORDINANCE [NEW VERSION], 5733 - 1973 (the "Dangerous Drugs Ordinance") and the related regulations issued by IMCA.

The revenues of the Group were generated from sales of medical cannabis products to customers in Israel and Germany. IMCC and its subsidiaries do not engage in any U.S. cannabis-related activities as defined in Canadian Securities Administrators Staff Notice 51-352.

On March 15, 2019, IMC acquired Adjupharm, a company incorporated in Germany. Adjupharm is a licensed EU-GMP producer with wholesale, narcotics handling and import/export licenses for medical cannabis.

IMCC is a participant in the Israeli medical cannabis market, which as of the day of this report, is a market that is estimated to be worth approximately \$100 million and having more than 60,000 users under the MOH's new regulation. As of March 31, 2020, products bearing IMCC's brand are reaching more than 400 pharmacies who serve patients with monthly IMCC's prescriptions.



## Management's Discussion and Analysis

### Company Products

IMCC is a well-known, recognized medical cannabis brand in Israel that is responsible for successfully bringing to market popular cannabis strains such as Roma, DQ, London, Tel-Aviv, Elle and Pandora's Box. The Company believes that the IMCC brand in Israel has become synonymous with quality, purity and consistency.

Focus is currently offering two main types of products carrying IMCC's brand: dried cannabis and cannabis oil. All of the products are tested in certified labs according to the MOH standards and certified before being packaged and labelled with detailed information about the levels of tetrahydrocannabinol ("THC") and cannabidiol ("CBD") within each product.

There are currently several dried medical cannabis products and medical cannabis oil products bearing IMCC's brand:

DRIED MEDICAL CANNABIS PRODUCTS BEARING IMCC'S BRAND (DISTRIBUTED BY FOCUS)			
Strain	THC/CBD Content	Category	Usage
Dairy Queen	THC: 11-19% CBD: 0-5.5%	T15/C3	In Israel, Dairy Queen has been prescribed for relief from pain, stress and anxiety, ALS, MS, Crohn's disease.
Pandora's Box	THC: 11-19% CBD: 0-5.5%	T15/C3	In Israel, Pandora's Box has been prescribed for relief from pain, stress and anxiety, as well as to treat depression, migraines and nausea.
Roma	THC: 16-24% CBD: 0-7%	T20/C4	In Israel, Roma has been prescribed for relief from chronic pain and migraines, as well as to treat insomnia, eating disorders and anxiety.
London	THC: 11-19% CBD: 0-5.5%	T15/C3	In Israel, London has been prescribed for relief from chronic pain and migraines, as well as to treat insomnia, eating disorders, anxiety and PTSD.
Tel Aviv	THC: 16-24% CBD: 0-7%	T20/C4	In Israel, Tel Aviv has been prescribed for relief from chronic pain and migraines, as well as to treat eating disorders and anxiety.
Paris	THC: 6-14% CBD: 6-14%	T10/C10	In Israel, Paris has been prescribed for relief from the side effects of chemotherapy and radiation treatments of cancer patients.

## Management's Discussion and Analysis

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### Corporate Developments

#### (i) Corporate Restructuring and Canadian Liquidity Events

In mid-2018, IMC entered into a binding letter agreement with Navasota and Navasota Acquisition Ltd. ("Navasota Subco") pursuant to which IMC would complete a reverse takeover transaction by way of a three- cornered amalgamation with Navasota and Navasota Subco to expand its business and access Canadian capital markets (the "Reverse Takeover Transaction"). IMC, Navasota and Navasota Subco entered into a definitive business combination agreement on September 3, 2019, which superseded a previous agreement between IMC, Navasota and Navasota Subco dated November 6, 2018.

On August 29, 2019, Navasota and IMC announced the completion of a private placement offering of 19,460,527 subscription receipts (each a "Subscription Receipt") of a wholly-owned subsidiary of Navasota ("Finco") at a price of \$1.05 per Subscription Receipt (after giving effect to a contemplated share split of 1:10) for aggregate gross proceeds of \$20,433 (the "Financing"). Upon the satisfaction or waiver of, among other things, all of the condition precedents to the completion of the Reverse Takeover Transaction, each Subscription Receipt was exchanged for one unit of Finco (a "Finco Unit") with each Finco Unit being comprised of one (1) common share of Finco (a "Finco Share") and one-half (1/2) of one (1) common share purchase warrant of Finco (a "Finco Warrant"). Each whole Finco Warrant was exercisable for one Finco Share at an exercise price of \$1.30 (after giving effect to a contemplated share split of 1:10) for a period of 24 months following the closing of the Reverse Takeover Transaction. Upon closing of the Reverse Takeover Transaction, the Finco Shares and Finco Warrants were exchanged for IMCC shares and IMCC warrants on economically equivalent terms on a 1:1 basis.

In connection with the Reverse Takeover Transaction, on October 4, 2019, Navasota completed a consolidation of its common shares on 2.83:1 basis and changed its name to "IM Cannabis Corp.". On October 11, 2019, the Reverse Takeover Transaction was completed, which included the merger of IMC and Navasota Subco under Israeli laws and the resulting amalgamated entity becoming a wholly-owned subsidiary of IMCC. Upon the completion of the Reverse Takeover Transaction, the former holders of IMC ordinary shares held approximately 84.28% of the issued and outstanding IMCC shares, the previous holders of Subscription Receipts held approximately 13.35% of the IMCC shares and the previous holders of Navasota shares held 2.37% of the IMCC shares, in each case, on a non-diluted basis.

On November 5, 2019, the IMCC shares began trading on the Canadian Securities Exchange ("CSE") under the ticker symbol "IMCC".

#### (ii) Restructuring

Prior to completing the Reverse Takeover Transaction and listing on the CSE, IMC facilitated a restructuring of its Israel-based assets (the "IMC Restructuring"), to meet certain compliance requirements set by the MOH.

Under the terms of the IMC Restructuring, IMC divested its interests in Focus, IMC Pharma Ltd. ("IMC Pharma") and I.M.C.C. Ltd. ("IMCCL", and together with Focus and IMC Pharma, the "Licensed Entities") to Oren Shuster, the sole director and CEO of IMC and the CEO and a director of IMCC, and to Rafael Gabay, a director of IMCC (the "Principals"), both of whom are related parties to IMCC. In connection with the divestment of the Licensed Entities, IMC entered into option agreements whereby IMC retains a 10 year option to re-acquire the sold interests at such time as Israeli laws permit foreign share ownership of more than 5% of Israeli medical cannabis companies (the "Option Agreements").

**Management's Discussion and Analysis**

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In connection with the IMC Restructuring, IMC entered into a license agreement with Focus (the "License Agreement") that granted Focus a limited, non-exclusive, non-assignable right to use certain of IMC's IP for the purposes of cultivating cannabis plants in the State of Israel and for the sale of any plant and/or product produced by Focus, either alone or together with other sub-contractors engaged by Focus. As consideration for the License Agreement, Focus agreed to pay to IMC an amount equal to 25% of Focus' total revenues, payable quarterly.

Also in connection with the IMC Restructuring, IMC entered into a services agreement with Focus (the "Services Agreement", and together with the License Agreement, the Commercial Agreements) to provide certain business support services to Focus in exchange for a fee equal to IMC's cost plus 25%, payable on a quarterly basis.

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

As a result of the IMC Restructuring, IMCC derives revenue from the Commercial Agreements. IMCC does not directly hold any licenses to engage in the cultivation, production, processing, distribution or sale of medical cannabis in Israel.

**(iii) License Renewal**

The MOH automatically renewed the license of Focus until October 4, 2020. The license allows Focus, to, among other things: (1) grow and hold in the growing installation at any given time a total of up to 12,000 plants of different types and at different cultivation stages; (2) grow and hold up to 900 kilograms of plant inflorescence at post-harvest processing stages; (3) grow and hold up to 450 kilograms of unplanted plant parts, including plants that are uprooted and not intended to be processed; and (4) cultivate and store up to 6,360 plants of different types and at different cultivation stages.

**(iv) Regulatory Changes**

Until September 2019, patients received licenses for the use of medical cannabis from the IMCA, which set a fixed monthly price for patients registered to receive products, regardless of the amount they consumed. Patients who were entitled to receive the product, paid a fixed price of 370 NIS per month (including VAT); thus, a patient that received 20 grams of the product paid the same as a patient that received 180 grams. Beginning in April 2018, the MOH initiated a pilot to sell medical cannabis products through pharmacies. Under the MOH's new regulations, patients will obtain a prescription for medical cannabis from a physician and purchase the prescribed medicine from pharmacies. In addition, the price of medical cannabis will no longer be controlled by the MOH and is expected to increase to reflect patients' actual consumption amounts and choices of products.

Following the implementation of the reform on October 2019, IMCC expects the Israeli medical cannabis market to benefit in the short-term future for several reasons, including:

## Management's Discussion and Analysis

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- (a) price increases;
- (b) the tripling of the number of physicians certified by the IMCA to prescribe medical cannabis;
- (c) the ability of physicians to directly prescribe medical cannabis to patients rather than the previous qualification method whereby the IMCA assigned patients to suppliers;
- (d) the continued growth rate of the Israeli medical cannabis patient base and the resolution of an IMCA backlog that has slowed the approval process; and
- (e) the expansion of the list of ailments and diseases for which medical cannabis can be prescribed to treat.<sup>1</sup>

Focus had previously distributed approximately 80% of its medical cannabis products by home delivery and 20% via one designated distribution outlet set by the IMCA. Under the new regulation, the sales will go from the LP to the manufacturer, who will sell to the pharmacies using a logistic warehouse.

### (v) Medical Cannabis Exports

The Israeli government approved an export reform in January 2019 and the first LPs who received export licenses from the MOH began exporting medical cannabis products in January 2020. Given IMCC's brands and market position, the Company expects to benefit from export.

### (vi) International Activity

IMCC believes that the key to its global expansion is penetration to the European market through the promotion of IMCC's brand as part of a wholly-owned distribution platform.

IMCC's European strategy begins with Germany, which is currently the largest and most advanced medical cannabis market in Europe. To develop its operations in Germany, on March 15, 2019, IMC completed the acquisition of 100% of Adjupharm, a licensed EU-GMP distributor with narcotics handling and import/export licenses for medical cannabis. IMC acquired all of the issued and outstanding Adjupharm shares for €924 (approximately \$1,400) with additional obligations to the sellers including repayment of bank loans of up to €680 (approximately \$1,030). These bank loans were repaid by IMC on May 2019. On March 21, 2019, following the acquisition, IMC granted to Adjupharm's CEO 5% of Adjupharm's ordinary shares. On March 1, 2020, an additional 2.5% of Adjupharm's ordinary shares were granted to Adjupharm's CEO. An additional 2.48% will be granted to Adjupharm's CEO on March 1, 2021.

Adjupharm will begin to develop IMCC's brand presence in Germany with the goal of creating a distribution stronghold in Germany's growing medical cannabis market.

To achieve sufficient product availability for distribution in the German market, IMCC expects to enter into strategic agreements with EU-GMP suppliers, establish its own cultivation facilities independently or in partnership with local partners, and promote the export of Focus' and other LPs' products from Israel once export is permitted by the MOH.

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<sup>1</sup> Medical Cannabis –Information and Medical Guidebook, Ministry of Health, Circular of Deputy General Manager, 2nd Revision, December 2017 [https://www.health.gov.il/hozer/mmk154\\_2016.pdf](https://www.health.gov.il/hozer/mmk154_2016.pdf)

## Management's Discussion and Analysis

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In October 2018, IMC established a wholly-owned subsidiary in Portugal in order to apply for a medical cannabis cultivation license. The application to receive the license is currently in the final stage of review. Once the Company is licensed, IMCC intends to also use the company in Portugal in order to export medical cannabis to partners in Europe.

### (vii) Investment in Xinteza

On December 26, 2019, IMCC entered into a share purchase agreement ("SPA") with Xinteza API Ltd. ("Xinteza"), a company with a unique biosynthesis technology, whereby IMCC will acquire 25% of Xinteza's outstanding common shares for consideration of up to US\$1,700 in several installments. IMCC's investment will be funded with existing cash resources. The first installment in the amount of US\$700 (\$912) for the purchase of approximately 15,700 preferred shares of Xinteza was made on the date of the SPA. The second installment of US\$200 (\$280) was made in May 2020. The remaining installments amounting to US\$800 are to be paid by the end of June 2020.

Under an exclusive license from Yeda Research & Development Company Ltd., the commercial arm of the Weizmann Institute of Science, and based on disruptive plant genetics and metabolomics research led by Professor Asaph Aharoni, Xinteza is developing advanced proprietary technologies related to the production of cannabinoid-based active pharmaceutical ingredients ("API") for the pharmaceutical and food industries using biosynthesis and bio-extraction technologies. The investment was measured at fair value through profit or loss.

### (viii) Strategic Developments:

1. On January 23, 2020, IMCC signed definitive agreements to establish a medical cannabis cultivation and processing joint venture in Greece (the "Joint Venture") with Galen Industries Single Member Societe Anonyme, a Greek company established by a consortium of investors in Greece with extensive experience in the pharmaceutical, media, finance and energy sectors ("Galen").

IMCC will own 25% of the Joint Venture and the remaining 75% of the Joint Venture will be owned by Galen. Each party is committed to fund the initial capital expenditures, totaling approximately up to €8,000 (\$11,675) to fund the construction of an EU-GMP certified cultivation and processing facility in Greece. IMCC will invest up to €1,500 (\$2,189) into the Joint Venture, with the balance funded by Galen. Execution of the Joint Venture's business plan will start during 2020 and construction of greenhouses as well as the EU-GMP facility is expected to begin upon receiving an establishment approval from the Greek medical cannabis regulatory authorities. The Joint Venture land plot size is expected to be 100,000 to 180,000 square meters (or 1,076,000 to 1,938,000 square feet).

In addition, the Joint Venture and IMCC have signed a preferred supply agreement (the "Galen Supply Agreement"). Under the Galen Supply Agreement, IMCC has the right to purchase up to 25% of the total production from the Joint Venture at a preferred price as determined in the agreement, for an initial period of five years. IMCC expects to gain commercial and competitive advantages by supplying the German market and other emerging markets across Europe with EU-GMP medical cannabis products from the Joint Venture's facility in Greece at preferred terms.

## Management's Discussion and Analysis

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2. On March 23, 2020, Focus signed a supply agreement (the "Intelicanna Supply Agreement") with Intelicanna Ltd. ("Intelicanna") for a minimum of 500kg and a maximum of 1,000kg of medical cannabis. Additional purchases may be made by Focus under the agreement without a change to the contracted price paid to Intelicanna. The finished products will be sold to pharmacies in Israel under the IMCC brand. The Intelicanna Supply Agreement is for a term of 12 months from the date of the first planting in Intelicanna's facility and is contingent on Intelicanna receiving IMC-GAP approval by June 15, 2020.

Intelicanna will obtain access to Focus' unique and proprietary genetics for the purpose of delivering product under the Intelicanna Supply Agreement; however, the genetics will remain the exclusive property of Focus. Intelicanna may not sell, transfer or perform research with the genetics it accesses through the Intelicanna Supply Agreement without consent from Focus. Under the Intelicanna Supply Agreement, Intelicanna is responsible for all production activities under Focus' supervision and quality control practices throughout the growing process at Intelicanna's site.

3. On March 30, 2020, Focus signed a binding three-year sales agreement for the sale of medical cannabis (the "Sales Agreement") to three pharmacies in Jerusalem operating under the Oranim Pharm and Medi Plus banners (the "Pharmacies").

Focus will supply the Pharmacies a total of 800kg of medical cannabis annually for a period of three years. The total quantity of medical cannabis to be delivered under the Sales Agreement is 2,400kg and the Pharmacies are obligated to purchase the entire quantity at a contracted price pursuant to the Sales Agreement.

4. On March 31, 2020, Focus signed a three-year definitive supply agreement with Way of Life Ltd. and Cannation Ltd. ("Way of Life" and "Cannation", respectively, and together, the "Suppliers") to purchase a total of approximately 2,600kg of medical cannabis per year, for a total of up to 7,800kg of medical cannabis over three years. All finished products under the supply agreements with Way of Life and Cannation will bear the IMCC brand and be sold to pharmacies in Israel.

Way of Life is an IMC-GAP certified cultivator and is dedicating 1,301 square meters (14,000 square feet) of space at its facility for the cultivation of Focus' proprietary medical cannabis strains. Cannation will dedicate a 5,017 square meter (54,000 square feet) area for the cultivation of Focus' proprietary medical cannabis strains, with the option to increase the dedicated area by an additional 10,034 square meters (108,000 square feet), and is contingent on Cannation receiving IMC-GAP certification by August 22, 2020.

The Suppliers will obtain access to Focus Medical's unique and proprietary genetics for the purpose of delivering products under the respective supply agreements but the genetics will remain the exclusive property of Focus. The Suppliers may not sell, transfer or perform research with the genetics it accesses without consent from Focus. Focus will have access to the Suppliers' growing facilities to monitor the entire growing process.

## Management's Discussion and Analysis

## Overview of Financial Performance

	For the period ended March 31,		For the year ended December 31,	
	2020	2019	2019	2018
Revenues	\$ 1,340	\$ 1,955	\$ 9,074	\$ 5,197
Gross margin before fair value impacts in cost of sales	\$ 631	\$ 783	\$ 4,313	\$ 3,422
Gross margin before fair value impacts in cost of sales (%)	47%	40%	48%	66%
Net Income (Loss)	\$ 200	\$ (6,591)	\$ (7,419)	\$ 2,627
Net Income (Loss) per share attributable to equity holders of the Company - Basic and Diluted (in CAD)	\$ (0.003)	\$ (0.056)	\$ (0.06)	\$ 0.02

## Operational Results - Medical Cannabis

	For the period ended March 31,		For the year ended December 31,	
	2020	2019	2019	2018
Average net selling price of dried cannabis (per Gram)	\$ 5.11	3.10	\$ 3.39	\$ 2.61
Quantity harvested (in Kilograms)	-	184	2,351	2,461
Quantity sold (in Kilograms)	198	524	2,180	1,597

Revenue for the period ending March 31, 2020 was \$1,340, as compared to \$1,955 in March 31, 2019. While average selling price per gram increased according to changes in regulations in Israel, the quantity of medical cannabis sold decreased to 198kg from 524kg as the Company accumulated inventory to satisfy volume commitments under the Sales Agreements recently announced by Focus. Shipments under the Pharmacy Sales Agreements began in April 2020 and will accelerate throughout the year.

Focus' production and operations have been consistently growing in both sales and capacity since inception. The Group has maintained its emphasis on providing quality products produced in a cost-effective manner. Cost of goods sold and operating expenses before fair value adjustments for the three months period ended March 31, 2020 reduced primarily due to fair value adjustment, yet the Company expects an increase in the cost of goods per gram due to the following items:

## Management's Discussion and Analysis

- costs incurred to meet requirements of the MOH's new regulation;
- employment and the contracting of experienced personnel and experts;
- additional business development activities related to the Company's global activities; and
- additional corporate activities.

During the three months period ended March 31, 2020, the Group continues to focus its efforts and operational and capital spending on the following:

- optimizing and increasing production to meet the anticipated increase in product demand;
- establishing management personnel;
- increasing market awareness of the Company and its products; and
- investing in strategic partnerships.

### Selected quarterly financial information

	March 31, 2020	December 31, 2019	September 31, 2019	June 30, 2019
Revenues	\$ 1,340	\$ 2,479	\$ 2,326	\$ 2,314
Net income (Loss)	\$ 200	\$ 1,691	\$ (1,915)	\$ (610)
Quantity Basic and diluted net income(in Kilograms) (Loss) per share (in CAD):	\$ (0.003)	\$ 0.02	\$ (0.01)	\$ (0.01)

	March 31, 2019	December 31, 2018	September 31, 2018	June 30, 2018
Revenues	\$ 1,955	\$ 1,439	\$ 1,377	\$ 1,277
Net income (Loss)	\$ (6,591)	\$ 1,268	\$ 1,414	\$ (960)
Quantity Basic and diluted net income(in Kilograms) (Loss) per share (in CAD):	\$ (0.056)	\$ 0.01	\$ 0.01	\$ (0.01)

On a quarterly basis, apart from the results of the first quarter of 2020 which is considered by the Company as a preparation quarter for standing in the upcoming signed agreements, the Company's shows constantly increasing revenues, which reflect the Company's expansion strategy.



## Management's Discussion and Analysis

### Operating, Financing and Investing Activities

The following table highlights the Company's cash flows for the three months ended March 31, 2020 as compared to the three months ended March 31, 2019:

	For the period ended March 31,	
	2020	2019
Net cash provided by (used in):		
Operating activities	\$ (2,008)	\$ (675)
Investing activities	\$ (851)	\$ (2,587)
Financing activities	\$ (59)	\$ (48)
Effect of foreign exchange	\$ 695	\$ 234
Decrease in cash	\$ (2,223)	\$ (3,076)

Operating activities used cash of \$2,008 in the three months ended March 31, 2020 as compared to \$675 in the three months ended March 31, 2019, mainly due to non-cash activities related to fair value adjustment of inventory and biological assets. In the three months ended March 31, 2020, cash was primarily used to increase operating activities in connection with the corporate activities related to its operation in Germany and the preparation of its Israeli operation to deliver medical cannabis according to the recently signed Pharmacy Sales Agreements.

Investing activities used cash of \$851 in the three months ended March 31, 2020, as compared to \$2,587 in the three months ended March 31, 2019. In the three months ended March 31, 2020, cash was used primarily for the purchase of production equipment for Focus.

Financing activities used cash of \$59 in the three months ended March 31, 2020, as compared to \$48 in the three months ended March 31, 2019, with the greater amount in 2020 due to repayment of lease liability.

### Metrics and Non-IFRS Financial Measures

This MD&A makes reference to certain non-IFRS financial measures including "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.

## Management's Discussion and Analysis

Management defines EBITDA as income earned or lost from operations, as reported, before interest and tax. 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, depreciation of right-of-use assets, revaluation adjustments of financial assets and liabilities measured on a fair value basis and non-recurring Reverse Takeover Transaction listing costs included in operating expenses. 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.

These 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. See "Overview of Financial Performance" in this MD&A.

	For the period ended March 31,	
	2020	2019
Operational Profit (Loss)	\$ 1,664	\$ (1,308)
Depreciation & Amortization	\$ 96	\$ 94
<b>EBITDA</b>	<b>\$ 1,760</b>	<b>\$ (1,214)</b>
IFRS Biological assets fair value adjustments, net	\$ (3,961)	\$ (519)
Share-based payments	\$ 494	\$ 549
Other Non-recurring costs	\$ -	\$ 618
<b>Adjusted EBITDA (Non-IFRS)</b>	<b>\$ (1,707)</b>	<b>\$ (566)</b>

Adjusted EBITDA of the Company for the three months ended March 31, 2020 was (\$1,707) compared with (\$566) for the three months ended March 31, 2019. The Company's Adjusted EBITDA declined by \$1,141 between the periods as the Company intentionally increased inventory to satisfy volumes under the Company's recently signed pharmacy Sales Agreements which commenced shipment in April 2020. The Company's corporate activities did not increase and the Company maintains a lean cost structure, despite its expansion of operations.

**Management's Discussion and Analysis**

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**Review of Operations for three month ended March 31, 2020 and 2019**Revenues

The Group operates in one reporting segment. The main revenues of the Group are generated from sales of medical cannabis products to customers in Israel.

Revenues for the three months ended March 31, 2020 were \$1,340 compared to \$1,955 for the three months ended March 31, 2019, a decrease of \$615 or 31%. The decrease in revenues was primarily due to the Company's inventory accumulation to satisfy volumes under upcoming binding agreements. Total product sold for the three months ended March 31, 2020 was 198 kilograms at an average selling price of \$5.11 per gram compared to 524 kilograms for the three months ended March 31, 2019 at an average selling price of \$3.1 per gram.

Cost of revenues

The cost of revenues includes production, 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 cost of revenues for the three months ended March 31, 2020 and 2019 were \$709 and \$1,172, respectively, representing a decrease of \$463 or 40%. Most of the cost of revenues were comprised of production works, utilities, salary expenses and deliveries, as well as from certain adjustments the Company had to make in order to adhere to the MOH's new regulation. Focus expects net cost of sales to vary from quarter to quarter based on the number of pre-harvest plants, after harvest plants and the strains being grown and based on technological progress in the trimming machines.

Gross profit

Included in the Company's calculation of gross profit are the following:

- production costs (current period costs that are directly attributable to the cannabis growing and harvesting process);
- 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).

Included in gross profit is 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 for the three months ended March 31, 2020 was \$4,592, compared to \$1,302 for the three months ended March 31, 2019, an increase of \$3,290 or 253%. Gross profit included gains from unrealized changes in fair value of biological assets and realized fair value adjustments on inventory sold of \$3,961 in the three months ended March 31, 2020, compared to \$519 in the three months ended March 31, 2019.

**Management's Discussion and Analysis**

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Expenses**General and Administrative**

General and administrative expenses for the three months ended March 31, 2020 were \$1,930, compared to \$1,742 for the three- months ended March 31, 2019, representing an increase of \$188 or 11%. The increase represented the increased corporate activity, investor relations and marketing costs, both in Israel and Germany.

**Selling and Marketing**

Selling and marketing expenses for the three months ended March 31, 2020 were \$477, compared to \$265 for the three months ended March 31, 2019, representing an increase of \$212 or 80%. The increase in the selling and marketing expenses was due to the Company's increased marketing efforts in Germany.

**Research and Development**

Research and development expenses for the three months ended March 31, 2020 were \$27, compared to \$54 for the three months ended March 31, 2019, representing a decrease of \$27 or 50%. The slight decrease was primarily due to cost reductions in new projects in Israel, Germany, Greece and Portugal.

**Share-based compensation**

Share-based compensation expenses for the three months ended March 31, 2020 were \$494 compared to \$549 for the three months ended March 31, 2019, representing a decrease of \$55 or 10%. The decrease was due to several employees leaving the company during the period.

**Financing**

Financing income, net, for the three months ended March 31, 2020 was \$(283), compared to \$(5,088) for the three months ended March 31, 2019, representing an increase of \$4,805 or 94%. The change was mainly due to the valuation update of the warrants issued in June 2018, lease expenses accounted for according to IFRS 16 and exchange rate differences.

**Depreciation and Amortization**

Depreciation and amortization expenses for the three months ended March 31, 2020 were \$96, compared to \$94 during the same period in 2019, representing an increase of \$3 or 3%. The increase was primarily due to the new application of IFRS 16, renewal of Focus' greenhouses and Focus' purchase of additional production equipment, as well as the amortization of intangible assets following the acquisition of Adjupharm.

Net Income/Loss

Net income for the three months ended March 31, 2020 was \$200 compared to a net loss of \$(6,591) for the three months ended March 31, 2019, representing an increase of \$6,791 or 103%. The increase related mainly to factors impacting net income from operations described above, offset finance income driven by revaluation of warrants in the amount of (\$6,036), which were recorded in the Company's books against liability on the grant day and were re-evaluated at year end through profit or loss.

## Management's Discussion and Analysis

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### Loss per Share

Basic loss per share is calculated by dividing the net profit attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted profit per share is calculated by adjusting the earnings and number of 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 share excludes unissued common shares related to stock options as they are antidilutive. Basic and diluted loss per share for the three months ended March 31, 2020 were (\$0.004) per share.

### Total Assets

Total assets as at March 31, 2020 were \$34,736, compared to \$17,336 as at March 31, 2019, representing an increase of \$17,400 or 100%. This increase was primarily due to the completion of the private placement offering of 19,460,527 subscription receipts in which Finco, a subsidiary of the Company, raised approximately \$20,433. The Company used part of the proceeds for its operating activities, as well as to acquire Adjupharm in March 2019, which allowed the Company to recognize intangible assets and goodwill.

### Total Liabilities

Total liabilities as at March 31, 2020 were \$6,295, compared to \$11,599 at March 31, 2019, representing a decrease of \$5,304 or 46%. The decrease was primarily due to the decrease in warrants liability of \$6,036.

### Intangible Assets

On March 15, 2019, IMC acquired Adjupharm, a licensed GMP producer with wholesale, narcotics handling and import/export licenses for medical cannabis. As part of its global expansion and penetration plan into the European market, IMC acquired 100% of Adjupharm's issued and outstanding shares for €924 (approximately \$1,400).

Through the acquisition of Adjupharm, the Company recognized \$1,287 in intangible assets and goodwill. The goodwill arising on the acquisition was attributed to the expected benefits from the synergies of the combination of the activities of the Company and Adjupharm.

The goodwill recognized is not expected to be deductible for income tax purposes.

The Company recognized and updated the fair value of the assets acquired and liabilities assumed in the business combination according to a final valuation made by an external valuation specialist.

### Liquidity and Capital Resources

For the three months ended March 31, 2020, the Company generated revenues of \$1,340 from operations and financed its operations while meeting its capital requirements primarily through the October 2019 equity financing, upon the Reverse Takeover Transaction and listing on the CSE. The Company's objectives when managing its liquidity and capital resources are to generate enough cash to fund the Company's operating and working capital requirements.

## Management's Discussion and Analysis

In the plan for use of available funds mentioned in the Company's listing statement, the Company has provided the following information:

Source of Funds	Amount (\$)
The Company's working capital as of August 31, 2019	2,256
Proceeds from the 2019 Subscription Receipt Financing net of commissions and expenses	19,174
<b>TOTAL AVAILABLE FUNDS</b>	<b>21,430</b>

Uses of Available Funds	Amount (\$)
Israel expansion	4,000
Working capital for German distributor	2,000
Allocation for Germany inventory purchasing	4,000
Construction costs for Greek cultivation and production facility	2,200
Initial investment capital for IMC Ventures and investments	5,500
General corporate purposes and G&A expenses for 12 months following the completion of the Reverse Takeover Transaction (net of cash flow from operations)	2,250
Unallocated working capital	1,480
<b>TOTAL</b>	<b>21,430</b>

As at March 31, 2020, the Company had paid approximately \$2,900 for the purchase of inventory and working capital in Germany, \$3,700 for capital expenditures and working capital costs in Focus expansion, \$900 for the venture capital investment in Xinteza, and approximately \$2,200 for general corporate purposes and other unallocated working capital.

As at March 31, 2020, the Company had a working capital surplus of \$23,906, compared to a working capital of \$9,290 as at March 31, 2019. The increase in working capital of \$14,616 was primarily attributable to the cash raised from the Company's equity financing. As of March 31, 2020 the Company had an unaudited cash balance of \$11,703 and no debt.

As at March 31, 2020, 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 March 31, 2020, management considers liquidity risk to be low.

## Management's Discussion and Analysis

As at March 31, 2020, the Group has identified the following liquidity risks related to financial liabilities:

	Less than one year	1 to 5 years	6 to 10 years	>10 years
Lease liabilities	\$ 242	\$ 666	\$ 587	\$ 20

The maturity profile of the Company's other financial liabilities (trade payables, other account payable and accrued expenses, and warrants) as of March 31, 2020 are less than one year.

The consolidated 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 consolidated 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 a limited number of common shares without par value, 145,743,283 of which are issued and outstanding as of the date of this MD&A.

The Company's common shares confer upon their holders the right to participate in the general meeting with each common share having one voting right on all matters. The Company's 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. In addition, the issued and outstanding share capital is represented retrospectively after a split of 1:10.

## Contingent Liabilities and Commitments

### (ix) Rental Liabilities

In August 2010, Focus signed an agreement with a farmer, located in the south of Israel (the "Farmer"), according to which, Focus and the Farmer agreed to jointly operate an area of 7,000 square meters (the "Facility") for the cultivation and processing of medical cannabis (the "Venture"). For the purpose of this Venture, the parties agreed to operate under the operation of Focus. As part of the agreement, 26% of the share capital of Focus was allocated to the Farmer.

According to the agreement, Focus is responsible for transferring payments for the construction and rental of the Facility to the Farmer.

## Management's Discussion and Analysis

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On December 1, 2016, Focus signed an additional agreement with the Farmer, according to which Focus agreed to operate an additional area of 6,000 square meters for the cultivation and processing of medical cannabis, under the operation of Focus.

As of January 1, 2019, all rental liabilities are subject to IFRS16 and are reflected in the Company's balance sheet.

### (x) Class Action T.Z. 8394-11-16

On November 3, 2016, a motion was filed for approval of a class action against Focus and seven other Israeli cannabis growers (collectively, the "Growers"), for: (1) alleged use of chemical pesticides in the cannabis growing process, in contradiction to the Plant Protection Regulations (Compliance with Packaging Label Instructions) (the "Label Regulations") and to the Protection of Public Health Regulations (Food) (Residues of Pesticides) (the "Residues Regulations"), and the misleading of their customers, thus violating the Consumer Protection Law (the "Consumer Law") (hereafter: the "usage of pesticides claim"); (2) selling cannabis product with lower concentration of active ingredients than publicized; and (3) marketing products in defective packaging – allegedly causing violation of autonomy and unjust enrichment. The personal suit sum for every class member stands at NIS 5,000 (\$2). The total amount of the class action suit is estimated at NIS 133 million (\$50,633).

The Growers argued in their response that the threshold conditions for approval of a class action were not met, and that they did not violate the Label Regulations and the Residues Regulations. The Growers also argued that they are not liable for any civil wrongdoing, nor did they mislead users regarding usage of pesticides, or had any legal duty regarding cannabis packaging beyond MOH guidance and therefore did not breach any statutory duty. Additionally, the defense argues that there is no base for an unjust enrichment claim.

On September 6, 2018, the Ministry of Health and the Ministry of Agriculture submitted their official opinion to the court. The second preliminary hearing took place on October 29, 2018. In an evidentiary hearing held on September 9, 2019, the petitioners and the Growers testified and it was decided to remove the plaintiffs' second and last expert opinion from the motion. On December 31, 2019, the applicants submitted their summaries. On April 23, 2020, the Growers submitted their summaries to the Motion. On May 3, 2020, the applicants submitted their response to the Growers summaries.

At the current stage of the litigation process, Company's management believes, based on the opinion of its legal counsel, that it is not probable that the motion for a class action against Focus will be approved. Therefore, an accrual in respect of this litigation was recorded in the financial statements.

### (xi) Class Action T.Z. 35676-08-19

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 (\$261,000). 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.



**Management's Discussion and Analysis**

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At this preliminary stage, Focus' management believes, based on the opinion of its legal counsel, that it is not possible to assess the prospects of the proceeding. Therefore, no provision has been recorded in respect thereof.

**(xii) Supreme Court of Justice 2335/19**

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, disproportionately, 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.

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.

On March 8, 2020, the court decided to extend, at this time, the validity of the interim injunction, so that the medical cannabis use licenses, which were extended under the decision, will 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, or until another Court decision.

The court also decided that as further extension of the period of the interim injunction was 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.

As to the continuation of the legal process, the court held that the respondents represented by the Israeli State Attorney's Office shall submit an updated notice to the Court regarding the progress of the proceedings before the Price Committee until May 1, 2020.

On April 30, 2020, the respondents represented by the State Attorney's Office filed an application to extend the date of the updated notice to the court. On May 4, 2020, the court decided that the petitioner and the other interested parties would submit their response to such request by May 10, 2020. On May 7, 2020, the Focus submitted its response in which it agreed to the request to extend the date but objected to extending the validity of the interim injunction beyond the prescribed date.

**Management's Discussion and Analysis**

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On May 13, 2020, the court decided that the respondents represented by the State Attorney's Office would be given an extension to submit an update notice on their behalf as well as additional references, as requested from the decision from March 8, 2020 to June 2, 2020. As part of the update notice, the Court stated that it would also include a response to the request from the petitioner from May 5, 2020. In light of this, the court extended the interim injunction to June 15, 2020.

On June 4, 2020, the court approved the request submitted by the respondents represented by the State Attorney's Office, for additional extension to file the updated notice to the court, up to June 8, 2020. In light of this, the Court stated that the interim injunction issued in the decision from March 8, 2020 is hereby extended, at this time, to June 22, 2020.

At this preliminary stage, Focus' management believes, based on the opinion of its legal counsel, that it is not possible to assess the outcome of the proceeding. Therefore, no provision has been recorded in respect thereof.

**(xiii) Class Action T.Z. 31805-10-19**

On October 30, 2019, Focus was served with a motion for approval of a class action against it, the Medical Cannabis Unit of the MOH ("MCU"), and five other companies related to the cannabis market in Israel. The motion was filed in connection to a stopping of supplies of medical cannabis by way of direct supply. The legal causes alleged in the motion are the following: discrimination in violation of the Equal Rights for Persons with Disabilities Act, 1988 and a restrictive arrangement contrary to the Economic Competition Law, 1988. The motion argues that the class action group incurred damages in the amount of NIS 656 Million (\$250,000). On March 20, 2020 the court approved the Focus' request, in which its response to the motion will be submitted prior to June 16, 2020. The pre-hearing is scheduled for October 25, 2020.

At this preliminary stage, Focus' management believes, based on the opinion of its legal counsel, that it is not possible to assess the prospects of the proceeding. Therefore, no provision has been recorded in respect thereof.

**Off-Balance Sheet Arrangements**

IMCC has no off-balance sheet arrangements as at March 31, 2020.

**Transactions with Related Parties**

The Company had no 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.

**Management's Discussion and Analysis**

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**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 IMCC currently competes is complex, competitive and changing rapidly. 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.

The following risk factors have been identified by management:

**(i) General Business Risk and Liability**

Given the nature of the Company'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 Company, 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. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or the suspension or revocation of the Company's right to carry on its existing business. The Company may incur significant costs in connection with such potential liabilities.

**(ii) Regulation of the Cannabis Industry**

The 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, relating to the manufacture, marketing, management, transportation, storage, sale, pricing and disposal of medical cannabis and cannabis oil, and also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment.

Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Group, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services. Achievement of the Group's 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 Group cannot predict the time required to secure all appropriate regulatory approvals for its products, 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 and financial condition 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 Group's 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 Company's products or services in any way, this could have a material adverse effect on the business, results of operations and financial condition of the Group.

**Management's Discussion and Analysis**

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**(iii) 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, transportation, storage, sale and disposal of medical cannabis but also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. While the Company is currently in compliance with all such laws, regulations and guidelines, any changes due to matters on such laws and regulations beyond the control of the Company could have a material adverse effect on the business, results of operations and financial condition of the Company.

**(iv) Environmental and Employee Health and Safety Regulations**

The Group's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and nonhazardous materials and wastes, and employee health and safety. The Group 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 restrictions on our 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.

**(v) Reliance on License Renewal**

Focus is dependent on its cultivation license issued by the MOH (the "License") and the need to maintain the License in good standing. Failure to comply with the requirements of the License or any failure to maintain the License would have a material adverse impact on the business, financial condition and operating results of Focus and the Company, which derives revenues from Focus. The license was renewed on December 13, 2018 and expires June 30, 2020. Although management believes it will meet the requirements of the MOH annually for extension of the License, there can be no guarantee that MOH will extend or renew the License or, if it is extended or renewed, that it will be extended or renewed on the same or similar terms.

Should MOH not extend or renew the License, or should it renew the License on different terms or not allow for anticipated capacity increases, the business, financial condition and results of the operations of the Focus will be materially adversely affected.

**(vi) Dependence on Senior Management**

The success of the Company is dependent upon the contributions of senior management. The loss of any of these individuals, or an inability to attract, retain and motivate sufficient members of qualified senior management personnel could adversely affect its business. This risk is partially mitigated by the fact that the senior management team are significant shareholders in the Company.

**Management's Discussion and Analysis**

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**(vii) Competition in the Industry**

There is potential that the Company will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than the Company. Because of the early stage of the industry in which IMCC operates, the Company expects to face additional competition from new entrants. If the number of users of medical cannabis in Israel increases, the demand for products 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.

There is also the potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope. Increased competition by larger, better-financed competitors with geographic advantages could materially and adversely affect the business, financial condition and results of operations of the Company.

**(viii) Risks Inherent in the Agricultural Business**

The Company's business, specifically as it pertains to its relationship with Focus, involves the growing of medical cannabis, which is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as pests, plant diseases and similar agricultural risks. Although Focus grows its products indoors under climate-controlled conditions, and carefully monitors the growing conditions with trained personnel, 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 of Focus.

**(ix) Restrictions on Sales and Marketing**

The industry is in its early development stage and restrictions on sales and marketing activities imposed by the MOH, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations 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.

**(x) Publicity or Consumer Perception**

The Company believes the medical cannabis industry is highly dependent upon consumer perception regarding the safety, efficiency and quality of the medical cannabis produced. Consumer perception of the Company'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.

**Management's Discussion and Analysis**

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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 Company's brand and the business, results of operations, financial condition and the Company's cash flows. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for products bearing the Company's brand, and the business, results of operations, financial condition and cash flows of the Company.

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

**(xi) 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 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 materially impact the business, financial condition, and operating results of the Company. Any ability to secure required supplies and services or to do so on appropriate terms could also have a materially adverse opinion impact on the business, financial condition, and operating results of the Company.

**(xii) Sufficiency of Insurance**

The Company maintains various types of insurance which may include product liability insurance (see "Potential Product Liability" below), errors and omission insurance, directors', 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 will 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 Company in excess of available coverage could have a material adverse effect of the Company in terms of damages awarded and the impact and reputation of the Company.

**(xiii) Potential Product Liability**

As IMCC derives a significant portion of its revenues from Focus, which is a manufacturer of products designed to be ingested or inhaled by humans. Focus products bearing the Company's brand 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 Focus products bearing the Company's brand involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination, unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of Focus products bearing the Company's brand alone or in combination with other medications or substances could occur.

**Management's Discussion and Analysis**

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The Company may be subject to various product liability claims, including, among others, that products bearing IMCC's brand 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 Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Company.

There can be no assurances that the Company 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 products bearing the Company's brand.

**(xiv) Potential General Litigation**

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company become involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Company's common shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources.

**(xv) 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 bearing IMCC's brand are recalled due to an alleged product defect or for any other reason, IMCC could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall.

IMCC 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 Company 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 Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any one of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of IMCC's operations by the MOH or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

**(xvi) Management of Growth**

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, that may have a material adverse effect on the Company's business, financial condition, results of operation and prospects.

**Management's Discussion and Analysis**

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**(xvii) 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 in contravention to Israeli rules restricting the ownership of Israeli cannabis cultivators and thereby jeopardizing Focus' cannabis cultivation license. If the Company is deemed to be in contravention of Israeli rules, that 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.

**(xviii) COVID-19**

The current global uncertainty with respect to the spread of the COVID-19 novel coronavirus ("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 Company's business in the coming months.

The Company has taken proactive measures in the early stages of the COVID-19 pandemic to protect the health and safety of its employees, to continue delivering high quality medical cannabis to its patients and to maintain its balance sheet.

While the precise impact of the COVID-19 outbreak on the Company remains unknown, rapid spread of COVID-19 and declaration of the outbreak as a global pandemic has 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 and around the world and could result in additional precautionary measures that could impact the Company'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, which could interrupt supplies and other services from third parties upon which the Company relies, decrease demand for products, 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 Company.

**(xix) Focus' Essential Service Designation**

In response to the pandemic, the State of Israel has implemented mandatory shut-downs of non-essential businesses to prevent the spread of COVID-19. Focus' business has been deemed an "essential service", permitting it to continue production. There is no guarantee that further measures may nevertheless require Focus to shut down or limit its operations in the State of Israel. Any disruptions to the business and operations of Focus in the event that Focus were to lose its designation as an "essential service" in the State of Israel may materially and negatively impact the business, financial condition and results of operations of the Company.



**Management's Discussion and Analysis**

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**Company Outlook**

The Company, through the License Agreement and Services Agreement, continues to expand brand recognition, to supply the growing medical market in Israel with products bearing IMCC's brand. Additionally, the government is discussing the possibility of exporting cannabis and changing the pricing method from fixed price to various price, which could increase the Company's revenues.

**Critical Accounting Estimates**

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.

**New standards, interpretations and amendments**

The following new accounting standards applied or adopted during the period ended March 31, 2020, had impact on the interim condensed consolidated 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 Amendment"). The 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 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.

## Management's Discussion and Analysis

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The 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.

### Subsequent Events

- a. On April 6, 2020, Focus signed a binding two-year sales agreement for the sale of IMCC- branded medical cannabis (the "Shor Tabachnik Sales Agreement") with Shor Tabachnik Pharmacies (the "Shor Tabachnik Pharmacies"). According to the Shor Tabachnik Sales Agreement, Focus will supply Shor Tabachnik with 1,000kg of IMCC-branded medical cannabis products annually through the duration of the agreement. The total value of the Shor Tabachnik Sales Agreement is expected to result in approximately \$12 million in revenue.

- b. On April 13, 2020, Focus signed a binding three-year agreement for the sale of 13,575kg of IMCC- branded medical cannabis products (the "Sales Agreement") to Super-Pharm (Israel) Ltd. ("Super-Pharm"), Israel's largest drugstore chain, which was founded by the Kofler family in 1978 and operates 250 pharmacies across Israel.

According to the Sales Agreement, Focus will sell to Super-Pharm a total 13,575kg of IMCC- branded medical cannabis over the next three years: 2,270kg in 2020, 4,980kg in 2021, and 6,325kg in 2022. Medical cannabis products sold under the Sales Agreement will include both dry flower and extract products. The total value of the Sales Agreement is expected to result in approximately \$80.4 million in revenue.

- c. On April 13 and 14, 2020, Focus signed two binding sales agreements for the sale of IMCC- branded medical cannabis: a three-year agreement with Max Pharm Ltd. ("Max Pharm") for total sales of up to 1,500kg (the "Max Pharm Sales Agreement"); and a one-year agreement with Panaxia Labs Israel, Ltd. ("Panaxia") for 1,000kg (the "Panaxia Sales Agreement").

The Panaxia Sales Agreement was signed on April 13, 2020. Under the agreement, Panaxia began delivering in April 2020, with 1,000kg contracted for sale over the next 12 months from signing the agreement. Panaxia will leverage its leading home delivery platform to distribute IMCC branded products. The total value of the Panaxia Sales Agreement is expected to result in approximately \$8.6 million in revenue.

The Max Pharm Sales Agreement was signed on April 14, 2020. Focus will begin making sales under the agreement in 2021, with the first 500kg to be delivered under the agreement as a binding sale. Max Pharm has an option to extend the agreement in 2022 and 2023 for an additional 500kg in each year, for a total potential volume of 1,500kg over three years. Operating one retail pharmacy in Israel, Max Pharm will also leverage its home delivery distribution to deliver medical cannabis to patients around Israel. The total value of the Max Pharm Sales Agreement is expected to result in approximately \$5.9 million in revenue.

- d. On April 21, 2020, Focus signed a binding three-year agreement for the sale of 12,600kg of IMCC branded medical cannabis products to PharmYarok Ltd. ("PharmYarok") (the "PY Sales Agreement"). According to the PY Sales Agreement, Focus will sell to PharmYarok a total 12,600kg of IMCC branded medical cannabis between 2021 and 2023 in equal annual volumes of 4,200kg, subject to PharmYarok meeting regulatory requirements. In addition to owning a leading medical cannabis e-commerce platform, PharmYarok will distribute IMC- branded products through its retail pharmacy. Medical cannabis products sold under the PY Sales Agreement will include both dry flower and extract products at a contracted price pursuant to the PY Sales Agreement.

**Management's Discussion and Analysis**

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- e. On May 5, 2020, according to the share purchase agreement (the "SPA") with Xinteza API Ltd. ("Xinteza"), dated December 26, 2019, the Company paid the second installment in the amount of US\$ 200 thousand (\$283) for the purchase of 4,480 Preferred Shares, which represents on an if-converted and fully diluted basis, approximately 3% of the outstanding share capital of Xinteza. As of March 31, 2020, the Company holds a total of 13.5% of the outstanding share capital of Xinteza on an if-converted and fully diluted basis.
- f. On May 7, 2020, AdjuPharm signed a definitive twelve-month sales agreement with two distributors in Germany for 360kg of medical cannabis over the next twelve months.
- g. On May 12, 2020, AdjuPharm signed a twelve-month sales agreement with a medical cannabis distributor in Germany, according to which, the distributor will purchase a total of 465kg of IMC branded medical cannabis products over the next year, out of this, 190kg is expected to be delivered until the end of 2020.
- h. On May 19, 2020, Adjupharm was approved to import 4,000kg of medical cannabis into Germany from additional foreign suppliers pursuant to a license extension granted by the German medical regulatory authority, the Bundesinstitut für Arzneimittel und Medizinprodukte. All future imports of medical cannabis will be made under this License, which allows for the import of either bulk product or end-products. Dry flower, dronabinol and extract products are permitted to be imported under the License.
- i. Subsequent to the reporting period and through June 4, 2020, the Company has received \$4,288 proceeds from Warrants and Compensation options exercised, which were issued in May through June, 2018, with expiration dates between May through June, 2020 (the "Warrants and Compensation options"). A total of 8,821,950 Warrants and Compensation options were exercised, representing 66% of the total Warrants and Compensation options quantity, at a price of \$0.50 per Warrant and \$0.40 per Compensation option.
- j. The outbreak of COVID-19 at the beginning of 2020 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. In addition, global equity markets have experienced significant volatility and weakness.

To date, the COVID-19 pandemic has not had a material negative impact on the Company's results of operations. The Company, well as its distribution channels are considered essential businesses (food and drug retailers) that continue to operate during this period. However, the duration and severity of the COVID-19 pandemic is unknown at this time and the Company is unable to predict the effect should the situation continue for a prolonged period.

## Management's Discussion and Analysis

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### 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 Executive Officer ("CEO") and Chief Financial Officer ("CFO"), assessed the effectiveness of the Company's internal controls over financial reporting and concluded that as at March 31, 2020, the Company's internal control over financial reporting was effective and yet constantly seek to improve it.

During the three months period ended March 31, 2020, 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 CEO and CFO, 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.

### Additional Information

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).



IMC Supports Israeli Government Action  
Towards Cannabis Decriminalization

**Toronto, Canada and Gilil Yam, Israel, June 10, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE: IMCC), one of the world's pioneering medical cannabis companies with operations in Israel and across Europe, is pleased to express its support for the Israeli government's plans to advance legislation on non-discrimination between medical and recreational cannabis users.

The Israeli government will develop legislation that introduces reforms to increase access to medical cannabis and a framework that includes: cannabis to be permitted for those over the age of 21, excluding those in security-related occupations; prohibiting driving under the influence of cannabis; and limitations on advertising cannabis. Additionally, other public figures in Israel have called for easing of enforcement laws against cannabis use.

"We are indeed strong supporters of government efforts towards increasing access to cannabis for Israeli adults. We applaud the proposed framework and sincerely believe that reforms on cannabis use will serve Israelis very well over the long-term. IMC is very well positioned for reform in the Israeli cannabis market given our team's operating track record over the last ten years and our brand's reputation for quality, consistency and purity," said Oren Shuster Chief Executive Officer of IMC.

**About IM Cannabis Corp.**

IMC is an international medical cannabis company, and a well-known Israeli brand of medical cannabis products. In Europe, IMC is establishing a medical cannabis operation first with its distribution subsidiary in Germany and augmented by strategic agreements with certified EU-GMP Standard suppliers, making it one of the only medical cannabis companies with fully integrated operations in Europe. IMC intends to leverage its operational experience and brand to establish a foothold in emerging medical cannabis markets including Germany, Portugal and Greece. IMC's core Israeli business includes offering branding, know-how and other intellectual property-related services to the Israeli medical cannabis market. Its key assets in Israel include commercial agreements with licensed producers and an option to purchase licensed entities. IMC has developed proprietary processes in its operations and is active in developing and investing in innovative technology for global medical cannabis consumers leveraging its reputation and expertise in the medical cannabis sector.

***Disclaimer for Forward-Looking Statements***

This press release contains forward-looking statements within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "likely" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. The forward-looking statements in this press release include statements relating to the nature and timing of any reforms in the Israeli cannabis market based on the joint statement by the Israeli government, IMC's brand position in the cannabis market in Israel, and IMC's strategic plans. Forward-looking statements are subject to business and economic risks and uncertainties and other factors that could cause actual results of operations to differ materially from those contained in the forward-looking statements, including, without limitation: the Israeli government deciding to delay or abandon the decriminalization of recreational cannabis; the ability of the Company to comply with applicable government regulations in a highly regulated industry; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel, Germany, Portugal, Greece or any other foreign jurisdictions in which the Company intends to operate; reliance on management; inconsistent public opinion and perception regarding the use of cannabis; engaging in activities considered illegal under US federal law; political instability and conflict in the Middle East; adverse market conditions; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; currency fluctuations; competition; and loss of key management and/or employees. Please see the Company's Form 2A Listing Statement which is available under the Company's profile on SEDAR for additional related risks factors that could materially affect the Company's operations and financial results. The Company does not undertake any obligation to update forward-looking statements except as required by applicable securities laws. Investors should not place undue reliance on forward-looking statements.

**For more information:**

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#### IMC Announces Binding Term Sheet for Distribution of CannEpil® in Israel

- New generation of evidence-based cannabis products to be launched in Israel
- IMC to be exclusive distributor of CannEpil® in Israel for five-year term
- CannEpil® was developed by MGC Pharma for the treatment of refractory epilepsy

*\* Currency is in CAD\$ unless specified otherwise*

**Toronto, Canada; and Glil Yam, Israel - June 15, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), one of the world's pioneering medical cannabis companies with operations in Israel and across Europe, today announced that the Company has signed a binding term sheet for the exclusive distribution rights of CannEpil® in Israel for a period of five years (the "Term Sheet"). CannEpil® is a phytocannabinoid medicine developed by MGC Pharmaceuticals Ltd. (ASX:MXC)("MGC") for the treatment of refractory epilepsy.

The Term Sheet follows the announcement by MGC on May 26, 2020 that the Ethics Committee of Schneider Children's Medical Center of Israel has given its approval to commence a Phase IIb clinical trial of CannEpil® in Israel. In Israel, there are now over 82,000 people suffering from epilepsy. Approximately 30% are unbalanced pharmacologically and experience seizures with different frequency and intensity, making it difficult for their daily functioning and routine.<sup>1</sup>

**Oren Shuster, Chief Executive Officer of IMC**, commented, "We are embarking on a new era of cannabis-based products around the world. The next generation of medical cannabis products will be driven by evidence-based research and IMC plans to remain at the cutting edge of cannabis medicine which aligns with its vision for leadership in the global medical cannabis industry. As investment in research, development and commercialization of treatments like CannEpil® advances over time, IMC will seek to enter into similar agreements for the distribution of innovative products in all the markets in which it operates." Mr. Shuster continued, "We have great respect for MGC's commitment to innovation and its ability to develop novel medical cannabis products. Combining MGC's intellectual property with our local knowledge of the Israeli market is a formula for success and we look forward to working with them for the betterment of medical cannabis patients in Israel and across the world."

**Roby Zomer, Co-founder and Managing Director of MGC Pharma**, commented, "We are very pleased to have our first commercial Israel distribution agreement for CannEpil® in place with one of the leading distributors of medical cannabis products in Israel. There is a strong need for epilepsy medication in Israel and the agreement with IMC has the potential to be transformational for MGC following successful clinical trials."

#### Details of the Term Sheet

The Term Sheet was signed on June 12, 2020. According to the Term Sheet, IMC will be responsible for the registration of CannEpil® in Israel and obtaining all necessary permits and licenses for importation and commercialization in Israel. IMC will also be responsible for promotional activity and distribution in Israel. Each purchase order under the Agreement is subject to a €50,000 minimum purchase.

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<sup>1</sup> Source: Israel Epilepsy Association.

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MGC will continue to own all the intellectual property rights associated with CannEpil® and its continued research and development.

The execution of a definitive distribution agreement is subject to a number of conditions including the receipt of all necessary corporate and regulatory approvals and the following conditions precedent:

- Confirmation that CannEpil® has health-promoting effects and meets the requirements needed under applicable law for CannEpil® to be qualified as a drug in the Israel;
- Extensive market research conducted by IMC indicates marketability of the product in Israel; and
- MGC and IMC enter into a separate registration and supply agreement based on the material terms of the Term Sheet and other terms and conditions to be agreed to by the parties.

There can be no assurance that a definitive distribution agreement will be executed as proposed or at all.

#### **About IM Cannabis Corp.**

IMC is an international medical cannabis company, and a well-known Israeli brand of medical cannabis products. In Europe, IMC has established a medical cannabis operation first with its distribution subsidiary in Germany and augmented by strategic agreements with certified EU-GMP Standard suppliers, making it one of the only medical cannabis companies with fully integrated operations in Europe. IMC intends to leverage its operational experience and brand to establish a foothold in emerging medical cannabis markets including Germany, Portugal and Greece. IMC's core Israeli business includes offering branding, know-how and other intellectual property-related services to the Israeli medical cannabis market. Its key assets in Israel include commercial agreements with licensed producers and an option to purchase licensed entities. IMC has developed proprietary processes in its operations and is active in developing and investing in innovative technology for global medical cannabis consumers leveraging its reputation and expertise in the medical cannabis sector.

#### **About MGC Pharmaceuticals Ltd.**

MGC Pharmaceuticals Ltd (ASX: MXC) is a European based bio-pharma company developing and supplying affordable standardised phytocannabinoid derived medicines to patients globally. The Company's founders were key figures in the global medical cannabis industry and the core business strategy is to develop and supply high quality phytocannabinoid derived medicines for the growing demand in the medical markets in Europe, North America and Australasia. MGC Pharma has a robust product offering targeting two widespread medical conditions - epilepsy and dementia - and has further products in the development pipeline.

Employing its 'Nature to Medicine' strategy, MGC Pharma has partnered with renowned institutions and academia to optimise cultivation and the development of targeted phytocannabinoid derived medicines products prior to production in the Company's EU-GMP Certified manufacturing facility. MGC Pharma has a number of research collaborations with world renowned academic institutions, and including recent research highlighting the positive impact of using specific phytocannabinoid formulations developed by MGC Pharma in the treatment of glioblastoma, the most aggressive and so far therapeutically resistant primary brain tumour.

MGC Pharma has a growing patient base in Australia, the UK, Brazil and Ireland and has a global distribution footprint via an extensive network of commercial partners meaning that it is poised to supply the global market.

#### **Disclaimer for Forward-Looking Statements**

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#### IMC Announces Focus Medical's First Import from Canada to Israel, Strengthening International Network

- Strong relationships with Canadian medical cannabis industry are a strategic imperative to IMC as a global medical cannabis brand
- Focus Medical has successfully imported approximately 200kg of medical cannabis from Canada, now seven suppliers cultivating under IMC brand across Israel, Spain and Canada
- IMC brand well positioned for Israeli government decriminalization reforms

*\* Currency is in CAD\$ unless specified otherwise*

**Toronto, Canada; and Gilil Yam, Israel - June 18, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), one of the world's pioneering medical cannabis companies with operations in Israel and across Europe, is pleased to announce that Focus Medical Herbs Ltd. ("Focus Medical") has successfully received its first shipment of medical cannabis from an EU-GMP certified indoor cultivator of medical cannabis based in Canada. This first shipment is comprised of approximately 200kg of medical cannabis and will be sold by Focus Medical under the IMC brand to medical patients in Israel.

IMC has now secured seven suppliers producing under the IMC brand: five domestic suppliers in Israel, and EU-GMP suppliers in both Spain and Canada. With the Israeli government now accepting applications for export of medical cannabis, this supply base could be used to fulfill the growing demand in the European market subject to regulatory approval. Furthermore, the first shipment of 200kg of medical cannabis from Focus Medical's EU-GMP supply partner in Spain is being sold under its previously announced pharmacy sales agreements and is receiving positive reviews. The next shipments from Spain to Israel are expected in the third quarter.

"We have great respect for Canada's global leadership in the development of its local and international cannabis industries. With our ambition for IMC to become a leading global brand in medical cannabis, it is a strategic imperative to have deep ties with Canadian licensed producers," said **Oren Shuster, Chief Executive Officer of IMC**. "The outlook for the cannabis industry in Israel is very promising following the Israeli government's announcement last week of its intention to develop a cannabis decriminalization framework with legislation to increase access to cannabis for more users across the country. We are very confident that this will result in increased demand for high quality cannabis products as more users access cannabis through legal channels as we have seen in North America. IMC remains in an excellent position to increase its brand's market share in Israel and expand its international recognition by providing cannabis products known for quality, consistency and purity."

#### Details of Existing Sales and Supply Agreements

IMC has previously announced that Focus Medical has signed six binding pharmacy sales agreements for the distribution of IMC-branded medical cannabis products in Israel. Focus Medical's total consolidated revenue from all binding pharmacy sales agreements in Israel is expected to be \$193.5 million with an expected gross margin of 50% over the next three years. A total of 33,075kg of medical cannabis under the pharmacy sales agreements will be delivered by Focus Medical to Israeli pharmacies between Q2 2020 and 2023, of which 3,000kg of the medical cannabis is expected to reach pharmacies in 2020.

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Supply of medical cannabis to fulfill these pharmacy sales agreements is now fully contracted. Focus Medical has signed and announced supply agreements with Cannomed Medical Cannabis Industries Ltd. (TASE:CNMD), Intelicanna Ltd. (TASE:INTL), Way of Life and Cannation, in addition to exclusive supply from Focus Medical and international supply from Spain and Canada.

#### **About IM Cannabis Corp.**

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#### **About Focus Medical Herbs Ltd.**

Focus Medical is one of eight original licensed producers of medical cannabis in Israel and has over 10 years of experience growing high quality medical cannabis in the Israeli market. Focus Medical has an exclusive commercial agreement with IMC to distribute its production under the IMC brand. In addition to its own capacity, Focus Medical has supply agreements with six other cultivators for additional supply using its proprietary genetics and for sale under the IMC brand.

IMC currently operates in the Israeli medical cannabis market by providing intellectual property and services to licensed producers. Focus Medical, a licensed medical cannabis producer in Israel with whom the Company has exclusive commercial agreements, is the first major Israeli licensed producer to utilize the Company's intellectual property and know-how. Neither the Company nor any of its subsidiaries currently hold, directly or indirectly, any licenses to engage in the cultivation, production, processing, distribution or sale of medical cannabis in Israel. However, under International Financial Reporting Standards 10, the Company is required to consolidate the results of Focus, a licensed propagator and cultivator of medical cannabis under the current Israeli regulatory regime, in its current financial results.

#### ***Financial Outlook***

The Company and its management believe that the estimated revenues and gross margins contained in this press release 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 laws. 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 previously announced 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 laws. 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 Company's control. See "Disclaimer for Forward-Looking Statements" below.

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#### IMC Announces Israeli Government Advancing Cannabis Decriminalization

- Decriminalization framework passes first reading with Ministerial Committee on Legislation
- IMC in market leading position in Israel to benefit from cannabis reforms and larger market

**Toronto, Canada and Gilil Yam, Israel, June 22, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE: IMCC), one of the world's pioneering medical cannabis companies with operations in Israel and across Europe, is pleased to announce that the Israeli government has advanced legislation for the decriminalization of cannabis. Yesterday, June 21, the Ministerial Committee on Legislation approved a bill for the decriminalization of cannabis, which proposes: cannabis to be permitted for those over the age of 21, excluding those in security-related occupations; prohibiting driving under the influence of cannabis; placing limitations on advertising cannabis consistent with tobacco; and developing an advocacy fund for students. In order to become law, the bill will need to pass three readings.

"We are adamant supporters of decriminalization of cannabis in Israel and are pleased to see the government act so quickly to develop a framework for cannabis reforms. With our expanding network of domestic and international suppliers, which now includes Spain and Canada, we remain very well positioned to service the growing demand for medical cannabis in Israel and expect that our brand's leadership position will thrive with decriminalization as consumers seek the highest quality cannabis products," said Oren Shuster Chief Executive Officer of IMC.

#### About IM Cannabis Corp.

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#### IMC Announces Efficacy of IMC Branded Strains in Reducing Migraines

- Peer-reviewed study indicates two IMC branded medical cannabis strains were effective in reducing migraines in over 60% of treated patients
- Study conducted by Professor Dedi Meiri of Technion - Israeli Institute of Technology
- IMC continues to pursue evidence-based research for medical applications of cannabis

**Toronto, Canada; and Gilil Yam, Israel - June 24, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), one of the world's pioneering medical cannabis companies with operations in Israel and across Europe, announced today that a recent peer-reviewed study conducted by Professor Dedi Meiri at the Technion - Israeli Institute of Technology ("Technion") investigating the associations between phytocannabinoid treatment and migraine frequency, found that medical cannabis results in long-term reduction of migraine frequency in over 60% of treated patients<sup>1</sup>. The study also found that medical cannabis is associated with less disability and lower antimigraine medication intake. Furthermore, Technion's research indicated that two strains used in the study (IMC's London and Tel-Aviv strains) were found to be specifically effective.

"At IMC, we have high conviction that the development of evidence-based research in medical cannabis will lead to a new generation of medical products to treat a variety of indications and illnesses over the long-term. We will continue to partner with visionaries and leading researchers such as Professor Dedi Meiri and Technion to advance research and development of medical cannabis as it aligns strongly with our vision of leadership in global medical cannabis," said **Oren Shuster, CEO of IMC**. "The results of this study follow our announcement last week of a binding term sheet with MGC Pharmaceuticals Ltd. to distribute CannEpi® in Israel for the treatment of refractory epilepsy. As we continue to develop relationships with innovators in research and development, we plan to use our global distribution network to bring a range of high-quality medical cannabis products to patients across the world."

**Professor Dedi Meiri**, commented, "In the past five years, my lab, together with the main growers in Israel, have been running the Israeli database project. As part of this project, we have been testing the associations between phytocannabinoid treatment and migraine frequency. In this work we observed that 89% of the respondents reported lower current migraine disability and lower negative impact, and lower rates of opioid and triptan consumption. Moreover, we were able to demonstrate that the respondents consumed cannabis strains with higher doses of the phytocannabinoid ms\_373\_15c and lower doses of the phytocannabinoid ms\_331\_18d. Two of the most impactful strains in the study were IMC branded strains, Tel-Aviv and London."

#### About IM Cannabis Corp.

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<sup>1</sup> [https://www.researchgate.net/publication/342040570\\_Migraine\\_Frequency\\_Decrease\\_Following\\_Prolonged\\_Medical\\_Cannabis\\_Treatment\\_A\\_Cross-Sectional\\_Study](https://www.researchgate.net/publication/342040570_Migraine_Frequency_Decrease_Following_Prolonged_Medical_Cannabis_Treatment_A_Cross-Sectional_Study)

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## About Technion

Technion - Israel Institute of Technology, consistently ranked among the world's top science and technology research universities, is Israel's first university. Since its founding in 1912, the institute has educated generations of engineers, architects, and scientists who have played a key role in laying the State of Israel's infrastructure and establishing its crucial high-tech industries. Beginning with 17 students, Technion has been Israel's primary source of technological manpower and the nation's largest comprehensive academic center for advanced science and technology education, as well as applied research. In addition, Technion is one of only a handful of technology institutes in the world with an affiliated medical school.

Technion has 18 academic departments in engineering, natural sciences, medicine and architecture, as well as 60 research centers. Students may choose from some 50 undergraduate and 82 graduate academic programs. There are currently close to 14,000 students at the Technion (~9,300 BSc, ~2,800 MSc, ~1,000 PhD, and ~ 660 MD). To date, Technion has awarded around 100,000 degrees. Technion graduates have brought the unique skills and penchant for innovation which helped conceive and consolidate the modern State of Israel - commonly acknowledged to be the "Start-up Nation."

The staff of the Technion includes 620 faculty members; 1,000 technical and administrative staff; 250 clinicians; and 950 adjuncts and instructors.

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## IMC Reports Exercise of Warrants and Options

- Adds \$6.0 million to treasury, IMC fully funded for existing growth initiatives

*\* Currency is in CAD\$ unless specified otherwise*

**Toronto, Canada; Gili Yam, Israel - June 30, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), one of the world's pioneering medical cannabis companies with operations in Israel and across Europe, announced that investors exercised 12,350,795 common share purchase warrants and broker compensation options which were to expire by June 27, 2020. This amounts to gross proceeds of approximately \$6.0 million and represents 92.1% of the warrants and broker compensation options expiring on or prior to June 27, 2020 - with the balance having expired.

**Oren Shuster, Chief Executive Officer of IMC** commented, "In markets that remain challenging to access capital, IMC has strengthened its financial position with solid support from our shareholders. We maintain ample financial resources to finance our growth plans going forward. Furthermore, as we gain momentum from recently signed pharmacy sales agreements in Israel, draft legislations in support of decriminalization in Israel and distribution agreements in Germany, we will continue to prove that our team can execute on driving value for our shareholders."

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IMC is an international medical cannabis company, and a well-known Israeli brand of medical cannabis products. In Europe, IMC has established a medical cannabis operation first with its distribution subsidiary in Germany and augmented by strategic agreements with certified EU-GMP Standard suppliers, making it one of the only medical cannabis companies with fully integrated operations in Europe. IMC intends to leverage its operational experience and brand to establish a foothold in emerging medical cannabis markets including Germany, Portugal and Greece. IMC's core Israeli business includes offering branding, know-how and other intellectual property-related services to the Israeli medical cannabis market. Its key assets in Israel include commercial agreements with licensed producers and an option to purchase licensed entities. IMC has developed proprietary processes in its operations and is active in developing and investing in innovative technology for global medical cannabis consumers leveraging its reputation and expertise in the medical cannabis sector.

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#### IMC Announces Business Update and Review of Q2 Milestones

- IMC has bolstered the network of pharmacies, distributors and supply partners that are supporting the IMC brand in both Israel and Germany
- Decriminalization legislation in Israel to significantly increase market potential
- Formal launch of IMC brand in Germany expected in Q3 2020
- Recent warrant exercise adds \$6.0 million to treasury, IMC fully funded for existing growth initiatives

*\* Currency is in CAD\$ unless specified otherwise*

**Toronto, Canada; and Gil Yam, Israel - July 6, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), one of the world's pioneering medical cannabis companies with operations in Israel and across Europe, is pleased to provide a review of significant milestones achieved in the second quarter of 2020 and a business update.

**Oren Shuster, Chief Executive Officer of IMC** commented, "The second quarter of 2020 was surely the most exciting period for IMC in its history and the milestones we achieved have set the stage for many years of growth for the IMC brand and for shareholders. While the highlights of the past three months were Focus Medical signing multiple sales agreements with the largest pharmacies in Israel for expected revenue of \$193.5 million over the next three years at an expected gross margin of 50%, there were many other achievements that place the Company in a strong strategic position. In Israel, we increased our domestic supplier base and imported medical cannabis from both Canada and Spain. Our optimism in Israel has never been higher with the government passing a first reading of legislation that will decriminalize recreational cannabis, which should significantly expand the market for cannabis in Israel. In Europe, we are also steadily increasing our distribution network to blanket the fragmented pharmacy channel and we plan to deliver more firm commitments in that market in the near-term."

#### Israeli Market Update

The growth prospects for IMC in Israel have materially improved with government efforts to reform cannabis regulations. On June 21, 2020, the Ministerial Committee on Legislation in Israel approved a bill for the decriminalization of recreational cannabis. Three readings are required for legislation to become law and there is strong support for decriminalization among voters and the largest political parties. Not only did the Israeli government advance decriminalization efforts in the quarter, but the Israeli Ministry of Economy signed a Free Export Order for medical cannabis products. Under the Free Export Order, successful applicants will be permitted to export medical cannabis to foreign markets such as the European Union.

While we await further developments regarding decriminalization in Israel, Focus Medical Herbs Ltd. ("Focus Medical") has signed six binding sales agreements for the distribution of IMC-branded products with leading pharmacies in Israel that should extend our leadership in the Israeli medical cannabis market. Total consolidated revenue from all binding sales agreements in Israel is expected to be \$193.5 million with an expected gross margin of 50% over the next three years. A total of 33,075kg of IMC-branded medical cannabis will be delivered by Focus Medical to Israeli pharmacies under the sales agreements between Q2 2020 and 2023, of which 3,000kg of the medical cannabis is expected to reach pharmacies in 2020 with 482kg having already been delivered in Q2 2020.

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Supply to fulfil the pharmacy sales agreements is now fully contracted. Focus Medical has signed and announced supply agreements with Cannomed Medical Cannabis Industries Ltd. (TASE:CNMD), Intelicanna Ltd. (TASE:INTL), Way of Life and Cannation, in addition to exclusive supply from Focus Medical and international supply from Spain and Canada. Diversity of supply is critical to ensuring that the high-quality IMC-branded medical cannabis is available to patients whenever they need it.

IMC also continues to find opportunities in the next generation of cannabis products and evidence-based research. We announced a binding term sheet for the exclusive distribution rights of CannEpil® in Israel for a period of five years. CannEpil® is a phytocannabinoid medicine developed for the treatment of refractory epilepsy. Additionally, research performed by the Technion - Israeli Institute of Technology indicated that two strains of IMC-branded medical cannabis were found to be effective in reducing migraine frequency. We continue to develop relationships with leading innovators in medical cannabis and this will be critical to the development of the next generation of evidence-based medicine and global leadership in medical cannabis.

#### **German Market Update**

Our EU-GMP certified subsidiary in Germany, Adjupharm GmbH ("Adjupharm"), has developed a comprehensive marketing plan for the formal launch of IMC-branded products in Q3 2020. The first step in the marketing plan is to deploy a sales team and physician education program to build brand recognition and demand. Adjupharm's facility is prepared for increased international shipments with a certified vault able to store 500kg of medical cannabis and the Company is utilizing its EU-GMP license to package bulk cannabis from import which will enable seamless distribution.

We remain well positioned in Germany and have now secured three sales commitments to medical cannabis distributors through Adjupharm. Adjupharm now has binding sales commitments for a total of 825kg of medical cannabis in Germany under the IMC brand, 530kg of which will be delivered in 2020. Medical cannabis sold under the sales commitments will be fulfilled primarily from the Company's EU-GMP certified supply partner in Europe.

IMC has an active pipeline of other distributors with which it plans to enter sales commitments to cover Germany's many territories. Ownership of retail pharmacies in Germany is highly fragmented and supplying distributors with consistent volumes of high-quality IMC-branded products is imperative for brand recognition in the German medical community.

#### **Corporate Update**

Most recently, IMC announced that investors exercised 12,350,795 common share purchase warrants and broker compensation options, of which the last tranche was to expire by June 27, 2020. This amounted to gross proceeds of approximately \$6.0 million and represented 92.1% of the warrants and broker compensation options expiring on or prior to June 27, 2020.

#### **About IM Cannabis Corp.**

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## **About Focus Medical Herbs Ltd.**

Focus Medical is one of eight original licensed producers of medical cannabis in Israel and has over 10 years of experience growing high quality medical cannabis in the Israeli market. Focus Medical has an exclusive commercial agreement with IMC to distribute its production under the IMC brand. In addition to its own capacity, Focus Medical has supply agreements with five other cultivators for additional supply using its proprietary genetics and for sale under the IMC brand.

## ***Financial Outlook***

The Company and its management believe that the estimated revenues and gross margins contained in this press release 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 laws. 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 previously announced 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 laws. 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 Company's control. See "Disclaimer for Forward Looking Statements" below.

## ***Disclaimer for Forward-Looking Statements***

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#### IMC Bolsters German Sales Network with Purchase Commitment from Zur Rose Pharma GmbH

- IMC delivering on German strategy with fourth binding purchase commitment with distribution partner in Germany
- Zur Rose Pharma GmbH is part of the Zur Rose Group - Europe's largest e-commerce pharmacy

*\* Currency is in CAD\$ unless specified otherwise*

**Toronto, Canada; Glil Yam, Israel; and Bad Oldesloe, Germany - July 15, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), a multi-country operator ("MCO") in the medical cannabis sector with operations in Israel and across Europe, is pleased to announce that its German subsidiary, Adjupharm GmbH ("Adjupharm"), has received a definitive purchase commitment of medical cannabis over the next twelve months from Zur Rose Pharma GmbH, an established distributor in Germany (the "Purchase Commitment"). This is the Company's fourth definitive purchase commitment with a distributor in Germany and advances IMC's strategy of creating a network of distribution partnerships to maximize penetration of IMC-branded products.

"We have now signed our fourth sales agreement with a binding purchase commitment. More importantly, we have added Zur Rose Pharma GmbH as a key partner, a well-established and reputable pharmaceutical service provider and wholesaler that bolsters our ability to provide quality medical cannabis products across the large and dynamic German market. As we continue to add trusted partners to our MCO network, we firmly believe that we have created a strong foundation to become the preeminent brand in international medical cannabis," said Oren Shuster, CEO of IMC.

"The momentum IMC has established within the German market is indicative of strong demand and favourable industry fundamentals for medical cannabis. With the launch of the IMC brand in Germany in Q3 2020, we have been deploying our sales teams to further physician education across the country and build our brand's reputation as a reliable provider of top quality medical cannabis to patients, pharmacists and physicians," added Richard Balla, CEO of Adjupharm.

#### Details of the Purchase Commitments and Sales Agreements

Through its EU-GMP certified subsidiary, Adjupharm, the Company has entered into a three-year sales agreement with the medical cannabis distributor Zur Rose Pharma GmbH in Germany. This distributor has entered into a purchase commitment under its sales agreement.

IMC has also previously announced that Focus Medical Herbs Ltd. has signed six binding sales agreements for the distribution of IMC-branded medical cannabis products in Israel. Total consolidated revenue from all binding sales agreements in Israel is expected to be \$193.5 million with an expected gross margin of 50%. A total of 33,075kg of medical cannabis will be delivered in Israel between Q2 2020 and 2023, and 3,000kg of medical cannabis under the sales agreements is expected to reach pharmacies in 2020.

#### About IM Cannabis Corp.

IMC is a multi-country operator in the medical cannabis sector, and a well-known Israeli brand of medical cannabis products. In Europe, IMC has established a medical cannabis operation first with its distribution subsidiary in Germany and augmented by strategic agreements with certified EU-GMP Standard suppliers, making it one of the only medical cannabis companies with fully integrated operations in Europe. IMC intends to leverage its operational experience and brand to establish a foothold in emerging medical cannabis markets including Germany, Portugal and Greece. IMC's core Israeli business includes offering branding, know-how and other intellectual property-related services to the Israeli medical cannabis market. Its key assets in Israel include commercial agreements with licensed producers and an option to purchase licensed entities. IMC has developed proprietary processes in its operations and is active in developing and investing in innovative technology for global medical cannabis consumers leveraging its reputation and expertise in the medical cannabis sector.

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## **About Zur Rose Pharma GmbH**

With its headquarter in Halle (Saale) Germany, Zur Rose Pharma GmbH is a service company of Zur Rose Group (CH). Since 2004 Zur Rose Pharma GmbH has been licensed as a pharmaceutical wholesaler and supports the supply in the German and European market by shipping pharmaceuticals, health and care products. Its core competencies are the customer-focused orientation of order processing, the customer services offered, marketing and logistics.

Within the framework of this strategy, Zur Rose Pharma GmbH has entered the narcotics market as a wholesaler for the supply of medical cannabis. On May 5, 2020, the Federal Opium Agency granted the necessary permission according to § 3 of the Narcotics Act.

## **About Focus Medical Herbs Ltd.**

Focus Medical is one of eight original licensed producers of medical cannabis in Israel and has over 10 years of experience growing high quality medical cannabis in the Israeli market. Focus Medical has an exclusive commercial agreement with IMC to distribute its production under the IMC brand. In addition to its own capacity, Focus Medical has supply agreements with five other cultivators for additional supply using its proprietary genetics and for sale under the IMC brand.

## ***Financial Outlook***

The Company and its management believe that the estimated revenues and gross margins contained in this press release 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 laws. 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 previously announced 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 laws. 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 Company's control. See "Disclaimer for Forward Looking Statements" below.

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#### IMC Continues German Market Expansion with Purchase Commitments from Three Additional Distribution Partners

- IMC continues execution of German strategy with seven distribution agreements signed, adding axicorp, canymed and Materia
- Now a total of 1,525kg of sales secured under binding purchase commitments in Germany in the next twelve months
- All products to be sold under the IMC brand

*\* Currency is in CAD\$ unless specified otherwise*

**Toronto, Canada; Glil Yam, Israel; and Bad Oldesloe, Germany - July 21, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), a multi-country operator ("MCO") in the medical cannabis sector with operations in Israel and across Europe, is pleased to announce that its German subsidiary, Adjupharm GmbH ("Adjupharm"), has received three definitive purchase commitments of medical cannabis over the next twelve months from the axicorp Group ("axicorp"), canymed GmbH ("canymed") and Materia Deutschland GmbH ("Materia"). The Company has now secured seven definitive purchase commitments with distributors in Germany for a total of 1,525kg to be delivered in the next twelve months.

**Oren Shuster, Chief Executive Officer of IMC** commented, "The team at IMC continues to deliver exceptional execution in our core markets in 2020, first in Israel and now in Germany. We are planning for rapid growth in the German medical cannabis market and to be a consistent supplier to patients and physicians. We recognized early on that penetration across Germany would require a network of strong distribution partners complementing our direct sales efforts and we are very pleased with how quickly we have been able to secure these quality partnerships. Similar to our structure in Israel, we will continue to build our supply and distribution infrastructure as we seek to make IMC a leading brand in global medical cannabis."

#### Details of the Sales Agreements

Through its EU-GMP certified subsidiary, Adjupharm, the Company has entered into three sales agreements. The sales agreements entered into with axicorp and canymed are both for three-year terms and the sales agreement entered into with Materia is for a one-year term. All three sales agreements include binding purchase commitments.

Through Adjupharm, IMC now has a total of 1,525kg of binding purchase commitments for the sale of medical cannabis in Germany under the IMC brand, 823kg of which will be delivered in 2020. Medical cannabis sold under the sales agreements will be fulfilled primarily from the Company's EU-GMP certified supply partner in Europe.

IMC has also previously announced that Focus Medical Herbs Ltd. has signed six binding sales agreements for the distribution of IMC-branded medical cannabis products in Israel. Total consolidated revenue from all binding sales agreements in Israel is expected to be \$193.5 million with an expected gross margin of 50%. A total of 33,075kg of medical cannabis will be delivered under the sales agreements through to the end of 2023, of which 3,000kg is expected to reach pharmacies in 2020.

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#### **About IM Cannabis Corp.**

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#### **About axicorp Group**

axicorp Group, located in Friedrichsdorf, is a leading parallel importer in the German market. axicorp Pharma GmbH imports, repackages and distributes EU pharmaceuticals and medicinal products. Its sister company remedix GmbH specialises in the logistics and repackaging of EU narcotics. The axicorp Group company headquarters near Frankfurt offers the optimum preconditions for logistics aimed at Europe-wide trade.

#### **About Materia Deutschland GmbH**

Materia's vision is to be the enabler of global cannabis access. Materia is developing a robust manufacturing and distribution ecosystem to grow the legal cannabis market across the European continent. With its expert, research driven team and state-of-the-art technology, Materia focuses on the high-margin downstream activities of processing, formulation and distribution into markets wherever there is a patient in need of cannabis medicine or CBD consumers seeking innovative new products.

#### **About canymed GmbH**

canymed GmbH is a fully licensed pharmaceutical wholesaler in Germany focused on sustainability, consistency and quality according to the requirements of the German Pharmacopoeia. canymed specializes in pharmaceuticals for patients receiving therapy for pain, epilepsy, spasticity, multiple sclerosis and rheumatism, where there is considerable potential for research and demand. Its consulting team includes physicians and experts who establish personal contact with pharmacies and medical practitioners at the highest level.

#### ***Forward-Looking Information, Forward-Looking Financial Information and Non-IFRS Measures***

This press release contains forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "likely" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. Forward-looking information in this press release includes, without limiting the foregoing, information relating to the Company's projected revenues and profitability due to previously announced sales agreements, the expected amount of medical cannabis to be delivered according to all sales agreements and purchase commitments, the Company obtaining the medical cannabis to fulfill its purchase commitments from the Company's EU-GMP certified supply partner in Europe, the Company marketing its products with physicians, and patients in Germany and the strategic business plans of the Company.

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Forward-looking information is based on assumptions that may prove to be incorrect, including but not limited to the ability of the Company to execute its business plan, the continued growth of the medical cannabis market in the countries in which the Company operates or intends to operate, the Company maintaining "de facto" control over Focus Medical in accordance with IFRS 10 and Focus Medical maintaining its existing Israeli cultivation license. The Company considers these assumptions to be reasonable in the circumstances. However, forward-looking information is subject to known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements to differ materially from those expressed or implied in the forward-looking information. Such risks include, without limitation: the ability of the Company to comply with applicable government regulations in a highly regulated industry; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel, Germany, Portugal, Greece or any other foreign jurisdictions in which the Company operates or intends to operate; any failure of the Company to maintain "de facto" control over Focus Medical in accordance with IFRS 10; the Company and Focus Medical having to rely on third party cannabis producers to supply the Company and Focus Medical with product to successfully fulfill previously announced sales agreements and purchase commitments; the risk that regulatory authorities in Israel may view the Company as the deemed owner of more than 5% of Focus Medical in contravention to Israeli rules restricting the ownership of Israeli cannabis cultivators and thereby jeopardizing Focus Medical's cannabis cultivation license; unexpected disruptions to the operations and businesses of the Company and/or Focus Medical as a result of the COVID-19 global pandemic or other disease outbreaks including in the event that Focus Medical were to lose its designation as an essential service in the State of Israel during the current COVID-19 outbreak; any unexpected failure of Focus Medical to renew its cultivation license with the Israeli Ministry of Health; reliance on management; inconsistent public opinion and perception regarding the use of cannabis; engaging in activities considered illegal under US federal law; political instability and conflict in the Middle East; adverse market conditions; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; currency fluctuations; competition; and loss of key management and/or employees.

This press release also contains future oriented financial outlook and financial information (collectively, "**FOFI**") within the meaning of applicable Canadian securities laws. The FOFI included herein has been approved by management of the Company as of the date hereof to demonstrate management's current expectations regarding the Company's future financial results due to its previously announced sales agreements in the Israeli market. Management of the Company believes that the FOFI has been prepared on a reasonable basis, reflecting best estimates and judgments, and based on a number of assumptions that management believes are reasonable under the current circumstances. However, because this information is highly subjective and subject to numerous risks, including the risks discussed above, it should not be relied on as necessarily indicative of future results. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the FOFI prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Although management of the Company has attempted to identify important risks, uncertainties and factors which could cause actual results to differ materially, there may be others that cause results not to be as anticipated, estimated or intended.

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The FOFI in this news release includes reference to "gross margin" before fair value adjustments, which is a non-International Financial Reporting Standards (**IFRS**) financial measure. Non-IFRS measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. The Company 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 most directly comparable IFRS measure presented by the Company in its financial statements would be gross profit before fair value adjustments divided by revenue. The Company has used or included this non-IFRS measure solely to provide investors with added insight into IMC's anticipated future financial performance as a result of entering into the previously announced sales agreements with multiple Israeli pharmacies. Readers are cautioned that such non-IFRS measure may not be appropriate for any other purpose. Non-IFRS measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The forward-looking information and FOFI contained herein are current as of the date of this press release. Except as required by law, the Company does not have any obligation to advise any person if it becomes aware of any inaccuracy in or omission from any forward-looking information or FOFI, nor does it intend, or assume any obligation, to update or revise such forward-looking information or FOFI to reflect new events or circumstances. Any and all forward-looking information and FOFI included in this news release are expressly qualified by this cautionary statement, and except as otherwise indicated, are made as of the date of this press release.

**For more information:**

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#### IMC Announces Focus Medical Has Added Sixth Supplier Producing Under IMC Brand to Meet Growing Demand in Israel

- Focus Medical has entered into a supply agreement with Israeli-based Ever Green for a potential term of up to ten years
- Focus Medical will purchase all medical cannabis produced by Ever Green from its 86,000 square foot facility in Moshav Sgula, Israel
- Supply is secured for the six previously announced binding sales agreements between Focus Medical and pharmacies in Israel, in which the Israeli pharmacies have agreed to purchase 33,075kg of IMC-branded medical cannabis over the next three years

**Toronto and Gili Yam, Israel, July 27, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), a multi-country operator in the medical cannabis sector with operations in Israel and across Europe, is pleased to announce that Focus Medical Herbs Ltd. ("Focus Medical") has signed a supply agreement with Ever Green Solomon Pharma Ltd ("Ever Green") to purchase all of the medical cannabis produced by Ever Green for a period of five years with an option for Focus Medical to extend the term an additional five years, for a total potential term of up to ten years (the "Supply Agreement").

"The team at Ever Green is led by experienced cultivators operating from a first-class facility and we are very pleased that they will be producing medical cannabis bearing the IMC brand. Focus Medical has now established a deep network of high-quality domestic and international suppliers of medical cannabis to cultivate under the IMC brand. In addition to Focus Medical's own production capacity there are now another six cultivators in Israel with which Focus Medical has signed supply agreements. Complimenting this domestic production are recent shipments from both Spain and Canada. With decriminalization in Israel expected to significantly increase demand on top of the growing medical cannabis market, a robust network of suppliers is very important to IMC. As we develop these partnerships, we envision a global distribution network that will establish IMC as leaders in global medical cannabis," **said Oren Shuster, Chief Executive Officer of IMC.**

#### Details of the Supply Agreement

The Supply Agreement with Ever Green was signed on July 24, 2020. The initial term of the Supply Agreement is five years with an option for Focus Medical to extend the Supply Agreement for another five years, for a total potential term of ten years.

Ever Green has IMC-GAP certification and an 86,000 square foot facility. First planting for Focus Medical is expected in August 2020. In the event that there is increased demand from Focus Medical, Ever Green's facility has the ability to expand up to 130,000 square feet, subject to a build out and licensing. Focus Medical has committed to purchase the entire production cultivated by Ever Green over the term of the Supply Agreement.

#### Supply Agreements and Pharmacy Sales Agreements Announced in 2020

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Thus far in 2020, Focus Medical has signed and announced supply agreements with Ever Green, Cannomed Medical Cannabis Industries Ltd. (TASE:CNMD), Intelicanna Ltd. (TASE:INTL), Way of Life and Cannation. The cumulative supply from these agreements will be in addition to Focus Medical's current stated capacity from its facility in Sde Avraham, Israel. Focus Medical has secured the supply necessary to fulfill its delivery obligations under its pharmacy sales agreements.

Focus Medical has announced six pharmacy sales agreements in 2020. These pharmacy sales agreements are binding agreements for the sale of 4,000kg of IMC-branded products in 2020, and a total of 33,075kg worth CAD\$193.5 million in consolidated revenue over the next three-year period to IMC, with an expected gross margin of 50%.

#### **About IM Cannabis Corp.**

IMC is a multi-country operator in the medical cannabis sector, and a well-known Israeli brand of medical cannabis products. In Europe, IMC has established a medical cannabis operation first with its distribution subsidiary in Germany and augmented by strategic agreements with certified EU-GMP Standard suppliers, making it one of the only medical cannabis companies with fully integrated operations in Europe. IMC intends to leverage its operational experience and brand to establish a foothold in emerging medical cannabis markets including Germany, Portugal and Greece. IMC's core Israeli business includes offering branding, know-how and other intellectual property-related services to the Israeli medical cannabis market. Its key assets in Israel include commercial agreements with licensed producers and an option to purchase licensed entities. IMC has developed proprietary processes in its operations and is active in developing and investing in innovative technology for global medical cannabis consumers leveraging its reputation and expertise in the medical cannabis sector.

#### **About Focus Medical Herbs Ltd.**

Focus Medical is one of eight original licensed producers of medical cannabis in Israel and has over 10 years of experience growing high quality medical cannabis in the Israeli market. Focus Medical has an exclusive commercial agreement with IMC to distribute its production under the IMC brand. In addition to its own capacity, Focus Medical has supply agreements with six other cultivators for additional supply using its proprietary genetics and for sale under the IMC brand.

#### **About Ever Green Solomon Pharma Ltd**

Ever Green was established in 2019 and started selling medical cannabis products from its proprietary strains to the Israeli market in 2020. Ever Green operates from an IMC-GAP facility located in the southern part of Israel. The facility includes greenhouses and post harvest facility at a total size of over 100,000 square feet. The founders are three brothers who each have a track record spanning over 30 years in agriculture, operations and plants regulation and planning.

#### ***Forward-Looking Information, Forward-Looking Financial Information and Non-IFRS Measures***

This press release contains forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "likely" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. Forward-looking information in this press release includes, without limiting the foregoing, information relating to the Company's projected revenues and profitability due to previously announced sales agreements, the potential impact to demand from decriminalization of cannabis in Israel, and the strategic business plans of the Company.

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Forward-looking information is based on assumptions that may prove to be incorrect, including but not limited to the ability of the Company to execute its business plan, the continued growth of the medical cannabis market in the countries in which the Company operates or intends to operate, the Company maintaining "de facto" control over Focus Medical in accordance with IFRS 10, Focus Medical in accordance with IFRS 10, Focus Medical maintaining its existing Israeli cultivation license and the expected decriminalization of cannabis in Israel. The Company considers these assumptions to be reasonable in the circumstances. However, forward-looking information is subject to known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements to differ materially from those expressed or implied in the forward-looking information. Such risks include, without limitation: the ability of the Company to comply with applicable government regulations in a highly regulated industry; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel, Germany, Portugal, Greece or any other foreign jurisdictions in which the Company operates or intends to operate; any failure of the Company to maintain "de facto" control over Focus Medical in accordance with IFRS 10; the Company and Focus Medical having to rely on third party cannabis producers to supply the Company and Focus Medical with product to successfully fulfill previously announced sales agreements and purchase commitments; the risk that regulatory authorities in Israel may view the Company as the deemed owner of more than 5% of Focus Medical in contravention to Israeli rules restricting the ownership of Israeli cannabis cultivators and thereby jeopardizing Focus Medical's cannabis cultivation license; unexpected disruptions to the operations and businesses of the Company and/or Focus Medical as a result of the COVID-19 global pandemic or other disease outbreaks including in the event that Focus Medical were to lose its designation as an essential service in the State of Israel during the current COVID-19 outbreak; any unexpected failure of Focus Medical to renew its cultivation license with the Israeli Ministry of Health; reliance on management; inconsistent public opinion and perception regarding the use of cannabis; engaging in activities considered illegal under US federal law; political instability and conflict in the Middle East; adverse market conditions; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; currency fluctuations; competition; and loss of key management and/or employees.

This press release also contains future oriented financial outlook and financial information (collectively, **"FOFI"**) within the meaning of applicable Canadian securities laws. The FOFI included herein has been approved by management of the Company as of the date hereof to demonstrate management's current expectations regarding the Company's future financial results due to its previously announced sales agreements in the Israeli market. Management of the Company believes that the FOFI has been prepared on a reasonable basis, reflecting best estimates and judgments, and based on a number of assumptions that management believes are reasonable under the current circumstances. However, because this information is highly subjective and subject to numerous risks, including the risks discussed above, it should not be relied on as necessarily indicative of future results. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the FOFI prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Although management of the Company has attempted to identify important risks, uncertainties and factors which could cause actual results to differ materially, there may be others that cause results not to be as anticipated, estimated or intended.

The FOFI in this news release includes reference to "gross margin", which is a non-International Financial Reporting Standards (**IFRS**) financial measure. Non-IFRS measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. The Company 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 most directly comparable IFRS measure presented by the Company in its financial statements would be gross profit before fair value adjustments divided by revenue. The Company has used or included this non-IFRS measure solely to provide investors with added insight into IMC's anticipated future financial performance. Readers are cautioned that such non-IFRS measure may not be appropriate for any other purpose. Non-IFRS measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

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The forward-looking information and FOFI contained herein are current as of the date of this press release. Except as required by law, the Company does not have any obligation to advise any person if it becomes aware of any inaccuracy in or omission from any forward-looking information or FOFI, nor does it intend, or assume any obligation, to update or revise such forward-looking information or FOFI to reflect new events or circumstances. Any and all forward-looking information and FOFI included in this news release are expressly qualified by this cautionary statement, and except as otherwise indicated, are made as of the date of this press release.

**For more information:**

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**Form 52-109FV2**  
***Certification of Interim Filings***  
***Venture Issuer Basic Certificate***

I, Oren Shuster, the Chief Executive Officer of IM Cannabis Corp. certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of IM Cannabis Corp. (the "issuer") for the interim period ended June 30, 2020.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: August 26, 2020

"Oren Shuster"

Oren Shuster

Chief Executive Officer

**NOTE TO READER**

In contrast to the usual certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), namely, Form 52-109F1, this Form 52-109F1-IPO/RTO does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of an issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.





**IM Cannabis Corp.**

**Management's Discussion and Analysis**

For the Three and Six Months Ended June 30, 2020

August 26, 2020

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**IM Cannabis Corp.****Management's Discussion and Analysis****For the Three and Six Months Ended June 30, 2020 and 2019**

This Management's Discussion and Analysis ("MD&A") reports on the consolidated financial condition and operating results of IM Cannabis Corp. (the "Company" or "IMCC") for the three and six months ended June 30, 2020 and 2019. Throughout this MD&A, unless otherwise specified, "IMCC", "the Company", "we", "us" or "our" refer to IM Cannabis Corp.

This MD&A should be read in conjunction with the audited financial statements of the Company and notes thereto for the year ended December 31, 2019 (the "Annual Financial Statements").

The interim condensed consolidated financial statements have been prepared by management in accordance with the International Financial Reporting Standards ("IFRS"). IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amount of assets and liabilities at the date of the 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.

IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amount of assets and liabilities at the date of the 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 consolidated financial statements include the accounts of the Company, Focus Medical Herbs Ltd. ("Focus") and its subsidiaries: IMC, I.M.C. – International Medical Cannabis Portugal Unipessoal, Lda., IMC Ventures Ltd., and Adjupharm GmbH ("Adjupharm"). All intercompany balances and transactions were eliminated on consolidation.

All amounts in the MD&A are expressed in Canadian Dollars (\$) in thousands, unless otherwise noted.

**CAUTION CONCERNING FORWARD-LOOKING STATEMENTS**

Certain statements in this MD&A may contain "forward-looking information," within the meaning of applicable securities laws (collectively referred to herein as "forward-looking statements"). Such statements include, but are not limited to, statements with respect to expectations, projections, or other characterizations of future events or circumstances, and our objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to our plans and objectives, or estimates or predictions of actions of customers, suppliers, competitors or regulatory authorities. These statements are subject to certain risks, assumptions and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words "believe", "plan", "intend", "estimate", "expect", or "anticipate", and similar expressions, as well as future or conditional verbs such as "will", "should", "would", and "could" often identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance.

**Management's Discussion and Analysis**

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With respect to forward looking statements contained in this MD&A, the Company has made assumptions and applied certain factors regarding, among other things: future cannabis pricing; cannabis production yields; costs of inputs; its ability to market the IMC brand and its services successfully to its anticipated clients; reliance on management; the ability of the Company to comply with applicable regulatory requirements in a highly regulated industry; the failure of Focus to renew its cultivation license with the Israeli Ministry of Health; regulatory authorities in Israel viewing the Company as the deemed owner of more than 5% of Focus in contravention of Israeli rules; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel, Germany, Portugal, Greece or any foreign jurisdictions in which the Company intends to operate; the application of federal and provincial environmental laws; the impact of increasing competition; inconsistent public opinion and perception regarding the use of cannabis; engaging in activities considered illegal under US federal law; political instability and conflict in the Middle East; adverse market conditions; unexpected business disruptions due to COVID-19 and other disease outbreaks; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; currency fluctuations; and loss of key management and/or employees.

These forward-looking statements are also subject to the risks and uncertainties discussed in the "Risks 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 which are available at [www.sedar.com](http://www.sedar.com). Forward-looking statements are not guaranteeing of future performance and involve risks, uncertainties, and assumptions which could cause actual results to differ materially from the conclusions, forecasts, or projections anticipated in these forward-looking statements. Because of these risks, uncertainties, and assumptions, the reader should not place undue reliance on these forward-looking statements. The Company's forward-looking statements are made only as of the date of this MD&A, and except as required by applicable law, IMCC undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances.

**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 laws. 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 development" 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 laws. 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 Company'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 which are available at [www.sedar.com](http://www.sedar.com).



**Management's Discussion and Analysis**

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**NON-IFRS FINANCIAL MEASURES**

Certain financial measures used in this MD&A do not have any standardized meaning under IFRS, including "Gross Margin", "EBITDA" and "Adjusted EBITDA". 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.

**OVERVIEW OF THE COMPANY****Company Background**

The Company was incorporated pursuant to the Business Corporations Act (British Columbia) on March 7, 1980, under the name "Nirvana Oil & Gas Ltd." On July 12, 2013, in connection with a share consolidation, the Company changed its name to "Navasota Resources Inc.". The principal business of Navasota Resources Inc. ("Navasota") was that of a mineral exploration and development company. On October 11, 2019, the Company completed a Reverse Takeover Transaction (as defined herein) with IMC Holdings Ltd. ("IMC"), pursuant to a definitive business combination agreement, dated November 6, 2018, as amended. As a result of the Reverse Takeover Transaction, the Company changed its business from mining to the medical cannabis industry and its name to "IM Cannabis Corp.". IMC is currently a wholly-owned subsidiary of the Company.

Internationally, the Company has established a vertically integrated medical cannabis business in Germany. Subject to obtaining applicable governmental and regulatory approvals, the Company has expansion plans for additional European markets. The Company's core Israeli business includes offering branding and intellectual property-related services to the Israeli medical cannabis market. The Company's major Israeli assets include the Option Agreements to purchase the Licensed Entities from the Principals and the Commercial Agreements (capitalized terms as defined herein), as well as holdings in an innovation-focused company. The Company's major international assets include material holdings in a fully licensed medical cannabis distribution company in Germany, a 25% interest in a cultivation joint venture in Greece and a subsidiary in Portugal.

The Company operates in the field of medical cannabis by providing intellectual property and services to licensed producers (each an "LP"). Focus, a licensed medical cannabis producer in Israel with whom the Company has exclusive commercial agreements, is the first major Israeli LP to utilize the Company's intellectual property and know-how.

Neither the Company nor any of its subsidiaries currently hold, directly or indirectly, any licenses to engage in the cultivation, production, processing, distribution or sale of medical cannabis in Israel. However, under IFRS 10, the Company is required to consolidate the results of Focus, a licensed propagator and cultivator of medical cannabis under the current Israeli regulatory regime. As such, all financial information in this MD&A is presented on a consolidated basis reflecting the results of the Company, its subsidiaries and Focus (the "Group"). Focus operates under the regulations of medical cannabis by the Israeli Ministry of Health (the "MOH") through the Israel Medical Cannabis Agency (the "IMCA") to breed, grow, and supply medical cannabis products in Israel. All of Focus' operations are performed pursuant to the Israeli DANGEROUS DRUGS ORDINANCE [NEW VERSION], 5733 - 1973 (the "Dangerous Drugs Ordinance") and the related regulations issued by IMCA.

**Management's Discussion and Analysis**

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The revenues of the Group were generated from sales of medical cannabis products to customers in Israel and Germany. IMCC and its subsidiaries do not engage in any U.S. cannabis-related activities as defined in Canadian Securities Administrators Staff Notice 51-352.

On March 15, 2019, IMC acquired Adjupharm, a company incorporated in Germany. Adjupharm is a licensed EU-GMP producer with wholesale, narcotics handling and import/export licenses for medical cannabis.

IMCC is a participant in the Israeli medical cannabis market, which as of the day of this report, has more than 70,000 users under the MOH's new regulation. As of June 30, 2020, products bearing IMCC's brand are reaching more than 400 pharmacies who serve patients with monthly IMCC's prescriptions.

**Company Products**

IMCC is a well-known, recognized medical cannabis brand in Israel that is responsible for successfully bringing to market popular cannabis strains such as Roma, DQ, London, Tel Aviv, Elle and Pandora's Box. The Company believes that the IMC brand in Israel has become synonymous with quality, purity and consistency.

Focus is currently offering two main types of products carrying IMCC's brand: dried cannabis and cannabis oil. All of the products are tested in certified labs according to the MOH standards and certified before being packaged and labelled with detailed information about the levels of tetrahydrocannabinol ("THC") and cannabidiol ("CBD") within each product.

There are currently several dried medical cannabis products and medical cannabis oil products bearing IMCC's brand:

## Management's Discussion and Analysis

DRIED MEDICAL CANNABIS PRODUCTS BEARING IMCC'S BRAND (DISTRIBUTED BY FOCUS)			
Strain	THC/CBD Content	Category	Usage
Roma	THC: 16-24% CBD: 0-7%	T20/C4	In Israel, Roma has been prescribed for relief from chronic pain and migraines, as well as to treat insomnia, eating disorders and anxiety.
Tel Aviv	THC: 16-24% CBD: 0-7%	T20/C4	In Israel, Tel Aviv has been prescribed for relief from chronic pain and migraines, as well as to treat eating disorders and anxiety.
Dairy Queen	THC: 11-19% CBD: 0-5.5%	T15/C3	In Israel, Dairy Queen has been prescribed for relief from pain, stress and anxiety, ALS, MS, and Crohn's disease.
Pandora's Box	THC: 11-19% CBD: 0-5.5%	T15/C3	In Israel, Pandora's Box has been prescribed for relief from pain, stress and anxiety, as well as to treat depression, migraines and nausea.
Paris	THC: 6-14% CBD: 6-14%	T10/C10	In Israel, Paris has been prescribed for relief from the side effects of chemotherapy and radiation treatments of cancer patients.
London	THC: 11-19% CBD: 0-5.5%	T15/C3	In Israel, London has been prescribed for relief from chronic pain and migraines, as well as to treat insomnia, eating disorders, anxiety and PTSD.
Canadian	THC: 11-19% CBD: 0-5.5%	T15/C3	The combination of DJ Short, Afghan and Blueberry varieties, characterized by the rich fruity taste of aromatic flowers. The effect most often begins in the mind, and continues to physical soothing and pain relief.
Spanish	THC: 16-24% CBD: 0-7%	T20/C4	An Indica strain from Spain which brings a deep calm with a feeling of gentle and peaceful euphoria. Can assist with strong pain and appropriate for patients with a variety of medical conditions.

**Management's Discussion and Analysis**

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**Corporate Developments****(i) Corporate Restructuring and Canadian Liquidity Events**

In June 2018, the Company announced the entering into of a letter intent with IMC pursuant to which IMC would complete a reverse takeover of the Company and a change of business of the Company from mining to the medical cannabis industry (the "Reverse Takeover Transaction"). In November 2018, the Company and IMC announced the entering into of a definitive business combination agreement whereby the reverse takeover would be completed by way of a three-cornered amalgamation involving the parties and a wholly-owned subsidiary of the Company, Navasota Acquisition Ltd. ("Navasota Subco"). On September 3, 2019, IMC, Navasota and Navasota Subco amended and restated the business combination agreement which superseded the previous agreement signed in November 2018.

On August 30, 2019, Navasota and IMC announced the completion of a private placement offering of 19,460,527 subscription receipts (each a "Subscription Receipt") of a wholly-owned subsidiary of Navasota ("Finco") at a price of \$1.05 per Subscription Receipt for aggregate gross proceeds of \$20,433 (the "Financing") pursuant to the terms of the Reverse Takeover Transaction. Upon the satisfaction or waiver of, among other things, all of the condition precedents to the completion of the Reverse Takeover Transaction, each Subscription Receipt was exchanged for one unit of Finco (a "Finco Unit") with each Finco Unit being comprised of one (1) common share of Finco (a "Finco Share") and one-half (1/2) of one (1) common share purchase warrant of Finco (a "Finco Warrant"). Each whole Finco Warrant was exercisable for one Finco Share at an exercise price of \$1.30 for a period of 24 months following the closing of the Reverse Takeover Transaction. Upon closing of the Reverse Takeover Transaction, the Finco Shares and Finco Warrants were exchanged for IMCC shares and IMCC warrants on economically equivalent terms on a 1:1 basis.

Pursuant to the terms of the Reverse Takeover Transaction, on October 4, 2019, Navasota completed a consolidation of its common shares on 2.83:1 basis and changed its name to "IM Cannabis Corp.". On October 11, 2019, the Reverse Takeover Transaction was completed, which included the merger of IMC and Navasota Subco under Israeli laws and the resulting amalgamated entity becoming a wholly-owned subsidiary of IMCC. Upon the completion of the Reverse Takeover Transaction, the former holders of IMC ordinary shares held approximately 84.28% of the issued and outstanding IMCC shares, the previous holders of Subscription Receipts held approximately 13.35% of the IMCC shares and the previous holders of Navasota shares held 2.37% of the IMCC shares, in each case, on a non-diluted basis.

On November 5, 2019, the IMCC shares began trading on the Canadian Securities Exchange ("CSE") under the ticker symbol "IMCC".

During June 2020, the Company received \$6,032 in proceeds from the exercise of warrants and broker compensation options, which were issued in May through June, 2018, with expiration dates between May through June, 2020. A total of 12,350,795 warrants and broker compensation options were exercised, representing 92.1% of the total outstanding warrants and broker compensation options, at a price of \$0.50 per warrant and \$0.40 per broker compensation option.

During June 2020, the Company has received \$79 in proceeds from the exercise of 196,670 incentive stock options.

## Management's Discussion and Analysis

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### (ii) Restructuring

Prior to completing the Reverse Takeover Transaction and listing on the CSE, IMC facilitated a restructuring of its Israel-based assets (the "IMC Restructuring"), to meet certain compliance requirements set by the MOH.

Under the terms of the IMC Restructuring, IMC divested its interests in Focus, IMC Pharma Ltd. ("IMC Pharma") and I.M.C.C. Ltd. ("IMCCL", and together with Focus and IMC Pharma, the "Licensed Entities") to Oren Shuster, the sole director and CEO of IMC and the CEO and a director of IMCC, and to Rafael Gabay, a director of IMCC (the "Principals"), both of whom are related parties to IMCC. In connection with the divestment of the Licensed Entities, IMC entered into option agreements whereby IMC retains a 10 year option to re-acquire the sold interests at such time as Israeli laws permit foreign share ownership of more than 5% of Israeli medical cannabis companies (the "Option Agreements").

In connection with the IMC Restructuring, IMC entered into a license agreement with Focus (the "License Agreement") that granted Focus a limited, non-exclusive, non-assignable right to use certain of IMC's IP for the purposes of cultivating cannabis plants in the State of Israel and for the sale of any plant and/or product produced by Focus, either alone or together with other sub-contractors engaged by Focus. As consideration for the License Agreement, Focus agreed to pay to IMC an amount equal to 25% of Focus' total revenues, payable quarterly.

Also in connection with the IMC Restructuring, IMC entered into a services agreement with Focus (the "Services Agreement", and together with the License Agreement, the "Commercial Agreements") to provide certain business support services to Focus in exchange for a fee equal to IMC's cost plus 25%, payable on a quarterly basis.

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

As a result of the IMC Restructuring, IMCC derives revenue from the Commercial Agreements. IMCC does not directly hold any licenses to engage in the cultivation, production, processing, distribution or sale of medical cannabis in Israel.

### (iii) License Renewal

The MOH automatically renewed the license of Focus (the "License") until October 4, 2020. The License allows Focus, to, among other things: (1) grow and hold in the growing installation at any given time a total of up to 12,000 plants of different types and at different cultivation stages; (2) keep up to 900kg of plant inflorescence at post-harvest processing stages; (3) grow and hold up to 450kg of unplanted plant parts, including plants that are uprooted and not intended to be processed; and (4) cultivate and store up to 6,360 plants of different types and at different cultivation stages.

### (iv) Regulatory Changes

Until September 2019, patients received licenses for the use of medical cannabis from the IMCA, which set a fixed monthly price for patients registered to receive products, regardless of the amount they consumed. Patients who were entitled to receive the product, paid a fixed price of NIS 370 per month (including VAT); thus, a patient that received 20 grams of the product paid the same as a patient that received 180 grams. Beginning in April 2018, the MOH initiated a pilot to sell medical cannabis products through pharmacies. Under the MOH's new regulations, patients will obtain a prescription for medical cannabis from a physician and purchase the prescribed medicine from pharmacies. In addition, the price of medical cannabis will no longer be controlled by the MOH and is expected to increase to reflect patients' actual consumption amounts and choices of products.

## Management's Discussion and Analysis

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Following the implementation of the reform on October 2019, IMCC expects the Israeli medical cannabis market to benefit in the short-term for several reasons, including:

- (a) price increases;
- (b) the tripling of the number of physicians certified by the IMCA to prescribe medical cannabis;
- (c) the ability of physicians to directly prescribe medical cannabis to patients rather than the previous qualification method whereby the IMCA assigned patients to suppliers;
- (d) the continued growth rate of the Israeli medical cannabis patient base and the resolution of an IMCA backlog that has slowed the approval process; and
- (e) the expansion of the list of ailments and diseases for which medical cannabis can be prescribed to treat.<sup>1</sup>

Focus had previously distributed approximately 80% of its medical cannabis products by home delivery and 20% via one designated distribution outlet set by the IMCA. Under the new regulations, the medical cannabis will be delivered from the LP to the manufacturer, who will sell to the pharmacies.

### (v) Medical Cannabis Exports

The Israeli government approved an export reform in January 2019 and the first LPs who received export licenses from the MOH began exporting medical cannabis products in January 2020. Given IMCC's brands and market position, the Company expects to benefit from export.

### (vi) International Activity

IMCC believes that the key to its global expansion is penetration to the European market through the promotion of IMCC's brand as part of a wholly-owned distribution platform.

IMCC's European strategy begins with Germany, which is currently the largest and most advanced medical cannabis market in Europe. To develop its operations in Germany, on March 15, 2019, IMC completed the acquisition of 100% of Adjupharm, a licensed EU-GMP distributor with narcotics handling and import/export licenses for medical cannabis. IMC acquired all of the issued and outstanding Adjupharm shares for €924 (approximately \$1,400) with additional obligations to the sellers including repayment of bank loans of up to €680 (approximately \$1,030). These bank loans were repaid by IMC on May 2019. On March 21, 2019, following the acquisition, IMC granted to Adjupharm's CEO 5% of Adjupharm's ordinary shares. On March 1, 2020, an additional 2.5% of Adjupharm's ordinary shares were granted to Adjupharm's CEO. An additional 2.48% will be granted to Adjupharm's CEO on March 1, 2021.

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<sup>1</sup> Medical Cannabis –Information and Medical Guidebook, Ministry of Health, Circular of Deputy General Manager, 2nd Revision, December 2017  
[https://www.health.gov.il/hozer/mmk154\\_2016.pdf](https://www.health.gov.il/hozer/mmk154_2016.pdf)

## Management's Discussion and Analysis

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Adjupharm will begin to develop IMCC's brand presence in Germany with the goal of creating a distribution stronghold in Germany's growing medical cannabis market.

To achieve sufficient product availability for distribution in the German market, IMCC has entered into strategic agreements with EU-GMP suppliers, and expects to establish its own cultivation facilities independently or in partnership with local partners and promote the export of Focus' and other LPs' products from Israel.

In October 2018, IMC established a wholly-owned subsidiary in Portugal in order to apply for a medical cannabis cultivation license. The application to receive the license is currently in the final stage of review, however given the uncertainty related to COVID-19, the Company is deferring any further investment into Portugal indefinitely.

### (vii) Investment in Xinteza

On December 26, 2019, IMCC entered into a share purchase agreement with Xinteza API Ltd. ("Xinteza") (the "Xinteza SPA"), a company with a unique biosynthesis technology, whereby IMCC will acquire 25% of Xinteza's outstanding common shares for consideration of up to US\$1,700 in several installments. IMCC's investment will be funded with existing cash resources. The first installment in the amount of US\$700 (\$912) for the purchase of approximately 15,700 preferred shares of Xinteza was made on the date of the Xinteza SPA. The second installment of US\$200 (\$280) was made in May 2020. The third installment of US\$200 (\$280) was made in August 4, 2020, after the balance sheet date. The remaining installments amounting to US\$600 are to be paid by the end of September 2020.

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 is 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. The investment was measured at fair value through profit or loss.

### (viii) Strategic Developments:

1. On January 23, 2020, IMCC signed definitive agreements to establish a medical cannabis cultivation and processing joint venture in Greece (the "Joint Venture") with Galen Industries Single Member Societe Anonyme, a Greek company established by a consortium of investors in Greece with extensive experience in the pharmaceutical, media, finance and energy sectors ("Galen").

IMCC will own 25% of the Joint Venture and the remaining 75% of the Joint Venture will be owned by Galen. Each party is committed to fund the initial capital expenditures, totaling approximately up to €8,000 (\$11,675) to fund the construction of an EU-GMP certified cultivation and processing facility in Greece. IMCC will invest up to €1,500 (\$2,189) into the Joint Venture, with the balance funded by Galen. Subject to the uncertainty relating to COVID-19, it is anticipated that execution of the Joint Venture's business plan will start during the 2020 financial year and construction of greenhouses as well as the EU-GMP facility is expected to begin upon receiving an establishment approval from the Greek medical cannabis regulatory authorities. The Joint Venture land plot size is expected to be 100,000 to 180,000 square meters (or 1,076,000 to 1,938,000 square feet).

## Management's Discussion and Analysis

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In addition, the Joint Venture and IMCC have signed a preferred supply agreement (the "Galen Supply Agreement"). Under the Galen Supply Agreement, IMCC has the right to purchase up to 25% of the total production from the Joint Venture at a preferred price as determined in the agreement, for an initial period of five years. IMCC expects to gain commercial and competitive advantages by supplying the German market and other emerging markets across Europe with EU-GMP medical cannabis products from the Joint Venture's facility in Greece at preferred terms.

To date, no capital expenditures have been made towards the Joint Venture given the uncertainty relating to COVID-19.

2. On March 23, 2020, Focus signed a supply agreement (the "Intelicanna Supply Agreement") with Intelicanna Ltd. ("Intelicanna") for a minimum of 500kg and a maximum of 1,000kg of medical cannabis. Additional purchases may be made by Focus under the agreement without a change to the contracted price paid to Intelicanna. The finished products will be sold to pharmacies in Israel under the IMC brand. The Intelicanna Supply Agreement is for a term of 12 months from the date of the first planting in Intelicanna's facility.

Intelicanna will obtain access to Focus' unique and proprietary genetics for the purpose of delivering product under the Intelicanna Supply Agreement; however, the genetics will remain the exclusive property of Focus. Intelicanna may not sell, transfer or perform research with the genetics it accesses through the Intelicanna Supply Agreement without consent from Focus. Under the Intelicanna Supply Agreement, Intelicanna is responsible for all production activities under Focus' supervision and quality control practices throughout the growing process at Intelicanna's site.

3. On March 30, 2020, Focus signed a binding three-year sales agreement for the sale of medical cannabis (the "March 2020 Pharmacy Sales Agreement") to three pharmacies in Jerusalem operating under the Oranim Pharm and Medi Plus banners (the "Pharmacies").

Focus will supply the Pharmacies a total of 800kg of medical cannabis annually for a period of three years. The total quantity of medical cannabis to be delivered under the March 2020 Pharmacy Sales Agreement is 2,400kg and the Pharmacies are obligated to purchase the entire quantity at a contracted price pursuant to the March 2020 Pharmacy Sales Agreement.

4. On March 31, 2020, Focus signed a three-year definitive supply agreement with Way of Life Ltd. and Cannation Ltd. ("Way of Life" and "Cannation", respectively, and together, the "Suppliers") to purchase a total of approximately 2,600kg of medical cannabis per year, for a total of up to 7,800kg of medical cannabis over three years. All finished products under the supply agreements with Way of Life and Cannation will bear the IMC brand and will be sold to pharmacies in Israel.

Way of Life is an IMC-GAP certified cultivator and is dedicating 1,301 square meters (14,000 square feet) of space at its facility for the cultivation of Focus' proprietary medical cannabis strains. Cannation will dedicate a 5,017 square meter (54,000 square feet) area for the cultivation of Focus' proprietary medical cannabis strains, with the option to increase the dedicated area by an additional 10,034 square meters (108,000 square feet), and is contingent on Cannation receiving IMC-GAP certification by December 31, 2020.



## Management's Discussion and Analysis

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The Suppliers will obtain access to Focus' unique and proprietary genetics for the purpose of delivering products under the respective supply agreements but the genetics will remain the exclusive property of Focus. The Suppliers may not sell, transfer or perform research with the genetics it accesses without consent from Focus. Focus will have access to the Suppliers' growing facilities to monitor the entire growing process.

5. On April 6, 2020, Focus signed a binding two-year sales agreement for the sale of IMC branded medical cannabis with Shor Tabachnik pharmacies ("Tabachnik") (the "Tabachnik Sales Agreement"). According to the Tabachnik Sales Agreement, Focus will supply Tabachnik 1,000kg of IMC branded medical cannabis products annually through the duration of the Tabachnik Sales Agreement at an agreed upon price.
6. On April 13, 2020, Focus signed a binding three-year agreement for the sale of 13,575kg of IMC branded medical cannabis products to Super-Pharm (Israel) Ltd. ("Super-Pharm") (the "SP Sales Agreement"). According to the SP Sales Agreement, Focus will sell to Super-Pharm a total of 13,575kg of IMC branded medical cannabis over the next three years as follows: 2,270kg in 2020, 4,980kg in 2021, and 6,325kg in 2022. Medical cannabis products sold under the SP Sales Agreement will include both dry flower and extract products at an agreed upon price.
7. On April 13, 2020, Focus signed a one-year binding agreement for the sale of 1,000kg IMC branded medical cannabis to Panaxia Labs Israel, Ltd. ("Panaxia") (the "Panaxia Sales Agreement"). Under the Panaxia Sales Agreement, Focus will begin deliveries to Panaxia in April 2020 with 1,000kg contracted for sale over the next 12 months at an agreed upon price.
8. On April 14, 2020, Focus signed an agreement for the sale of up to 1,500kg over three years of IMC branded medical cannabis to Max Pharm Ltd. ("Max Pharm") (the "MP Sales Agreement"). Under the MP Sales Agreement, Focus will begin to accept deliveries to Max Pharm in 2021, totaling 500kg annually at an agreed upon price. Max Pharm has an option to purchase an additional 500kg of medical cannabis from Focus in each of 2021, 2022 and 2023, for a total volume of up to 3,000kg over three years.
9. On April 21, 2020, Focus signed a binding three-year agreement for the sale of 12,600kg of IMC branded medical cannabis products to PharmYarok Ltd. ("PharmYarok") (the "PY Sales Agreement"). According to the PY Sales Agreement, Focus will sell to PharmYarok a total 12,600kg of IMC branded medical cannabis between 2021 and 2023 in equal annual volumes of 4,200kg at an agreed upon price, subject to PharmYarok meeting certain regulatory requirements. Medical cannabis products sold under the PY Sales Agreement will include both dry flower and extract products at an agreed upon price.
10. On May 5, 2020, and August 4, 2020, after the balance sheet date, the Company paid the second and third installments pursuant to the Xinteza SPA in the aggregate amount of US\$400 (\$576) for the purchase of 9,960 preferred shares of Xinteza, which represents, on a fully diluted basis, approximately 6% of the outstanding share capital of Xinteza. As of June 30, 2020, the Company holds a total of 13.5% of the outstanding share capital of Xinteza on a fully diluted basis.
11. On May 7, 2020, Adjupharm signed a definitive sales agreement with two medical cannabis distributors in Germany for the sale of 360kg of medical cannabis over a twelve month period.
12. On May 12, 2020, Adjupharm signed a sales agreement with an additional medical cannabis distributor in Germany, according to which the distributor will purchase a total of 465kg of IMC branded medical cannabis products over a twelve month period including 190kg that is expected to be delivered prior the end of the 2020 financial year.

## Management's Discussion and Analysis

13. On May 19, 2020, Adjupharm received approval to import 4,000kg of medical cannabis into Germany from foreign suppliers pursuant to a license extension (the "Adjupharm License Extension") granted by the German Medical Regulatory Authority. All future imports of medical cannabis will be made under this Adjupharm License Extension, allowing to import either bulk products, such as dry flowers and Dronabinol, and extract products for end-products.

### Overview of Financial Performance

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,	
	2020	2019	2020	2019	2019	2018
Revenues	\$ 5,097	\$ 4,269	\$ 3,757	\$ 2,314	\$ 9,074	\$ 5,197
Gross margin before fair value impacts in cost of sales	\$ 2,656	\$ 2,407	\$ 2,025	\$ 1,624	\$ 4,313	\$ 3,422
Gross margin before fair value impacts in cost of sales (%)	52%	56%	54%	70%	48%	66%
Net Income (Loss)	\$ (9,496)	\$ (7,197)	\$ (9,696)	\$ (610)	\$ (7,419)	\$ 2,627
Net Income (Loss) per share attributable to equity holders of the Company - Basic and Diluted (in CAD)	\$ (0.07)	\$ (0.06)	\$ (0.06)	\$ (0.01)	\$ (0.06)	\$ 0.02

The Overview of Financial Performance includes reference to "gross margin", which is a non-International Financial Reporting Standards ("IFRS") financial measure. Non-IFRS measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. The Company 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.

## Management's Discussion and Analysis

## Operational Results - Medical Cannabis

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,	
	2020	2019	2020	2019	2019	2018
Average net selling price of dried cannabis (per Gram)	\$ 5.51	\$ 3.18	\$ 5.69	\$ 3.36	\$ 3.39	\$ 2.61
Quantity harvested (in Kilograms)	2,954	1,448	2,954	1,264	2,351	2,461
Quantity sold (in Kilograms)	723	1,115	525	591	2,180	1,597

Revenue for the six months ending June 30, 2020 was \$5,097, as compared to \$4,269 in June 30, 2019. Revenue for the three months ended June 30, 2020 was \$3,757, as compared to \$2,314 in the three months ended June 30, 2019. While average selling price per gram increased according to changes in regulations in Israel, the quantity of medical cannabis sold decreased to 723kg from 1,115kg as Focus accumulated inventory to satisfy volume commitments under the March 2020 Pharmacy Agreement, the Tabachnik Sales Agreement, the SP Sales Agreement, the MP Sales Agreement and the PY Sales Agreement (collectively, the "Pharmacy Sales Agreements") recently announced by Focus. Shipments under the Pharmacy Sales Agreements began in April 2020 and will accelerate throughout the year.

Focus' production and operations have been consistently growing in both sales and capacity since inception. The Group has maintained its emphasis on providing quality products produced in a cost-effective manner. Cost of goods sold and operating expenses before fair value adjustments for the three months ended June 30, 2020 increased in line with the Company's increase in revenue. Cost of goods per gram increased, and gross margin before fair value impact to cost of sales decreased, due to the following items:

- costs incurred to meet requirements of the MOH's new regulation;
- employment and the contracting of experienced personnel and experts;
- additional business development activities related to the Company's global activities; and
- additional corporate activities.

During the six and three months ended June 30, 2020, the Group continues to focus its efforts and operational and capital spending on the following:

- optimizing and increasing production to meet the anticipated increase in product demand;
- establishing management personnel;

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- increasing market awareness of the Company and its products; and
- investing in strategic partnerships.

**Selected quarterly financial information**

	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Revenues	\$ 3,757	\$ 1,340	\$ 2,479	\$ 2,326
Net income (Loss)	\$ (9,496)	\$ 200	\$ 1,693	\$ (1,915)
Basic and diluted net income (Loss) per share (in CAD):	\$ (0.06)	\$ (0.003)	\$ 0.02	\$ (0.01)

	June 30, 2019	December 31, 2018	September 30, 2018	June 30, 2018
Revenues	\$ 2,314	\$ 1,439	\$ 1,377	\$ 1,277
Net income (Loss)	\$ (610)	\$ 1,268	\$ 1,414	\$ (960)
Basic and diluted net income (Loss) per share (in CAD):	\$ (0.01)	\$ 0.01	\$ 0.01	\$ (0.01)

On a quarterly basis, apart from the results of the first quarter of 2020 which was considered by the Company as preparation for delivery under the Pharmacy Sales Agreements, the Company has consistently increased revenues, which reflects the Company's expansion strategy.

## Management's Discussion and Analysis

### Operating, Financing and Investing Activities

The following table highlights the Company's cash flows for the six and three months ended June 30, 2020 and 2019:

	For the six months ended June 30,		For the three months ended June 30,	
	2020	2019	2020	2019
Net cash provided by (used in):				
Operating activities	\$ (5,307)	\$ (2,048)	\$ (3,299)	\$ (1,373)
Investing activities	\$ (1,595)	\$ (1,726)	\$ (744)	\$ 861
Financing activities	\$ 5,987	\$ (666)	\$ 6,046	\$ (618)
Effect of foreign exchange	\$ 210	\$ (92)	\$ (485)	\$ (326)
Decrease in cash	\$ (705)	\$ (4,532)	\$ 1,518	\$ (1,456)

Operating activities used cash of \$5,307 in the six months ended June 30, 2020 and \$3,299 in the three months ended June 30, 2020, as compared to \$2,048 in the six months ended June 30, 2019 and \$1,373 in three months ended June 30, 2019, mainly due to non-cash activities related to fair value adjustment of inventory and biological assets. In the three months ended June 30, 2020, cash was primarily used to increase operating activities in connection with the Company's operations in Germany and the preparation of its Israeli operations to deliver medical cannabis under the Pharmacy Sales Agreements.

Investing activities used cash of \$1,595 in the six months ended June 30, 2020 and \$744 in the three months ended June 30, 2020, as compared to \$1,726 in the six months ended June 30, 2019 and \$(861) in the three months ended June 30, 2019. In the three months ended June 30, 2020, cash was used primarily for the purchase of production equipment for Focus and Adjupharm.

Financing activities provided cash of \$5,987 in the six months ended June 30, 2020 and \$6,046 in the three months ended June 30, 2020, as compared to \$(666) in the six months ended June 30, 2019 and \$(618) in the three months ended June 30, 2019. Most of the cash provided by finance activities in the three and six months ended June 30, 2020 were derived from the \$6,032 in gross proceeds from the exercise of warrants and broker compensation options.

### Metrics and Non-IFRS Financial Measures

This MD&A makes reference to certain non-IFRS financial measures including **Gross Margin**, **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.

## Management's Discussion and Analysis

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. The Company 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.

These 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. See "Overview of Financial Performance" in this MD&A.

	For the six months ended June 30,		For the three months ended June 30,	
	2020	2019	2020	2019
Operational Loss	\$ (1,191)	\$ (1,600)	\$ (2,855)	\$ (295)
Depreciation & Amortization	\$ 428	\$ 262	\$ 332	\$ 168
<b>EBITDA</b>	<b>\$ (763)</b>	<b>\$ (1,338)</b>	<b>\$ (2,523)</b>	<b>\$ (127)</b>
IFRS Biological assets fair value adjustments, net	\$ (3,924)	\$ (1,159)	\$ 37	\$ (640)
Share-based payments	\$ 1,427	\$ 1,161	\$ 933	\$ 612
Other Non-recurring costs	\$ 525	\$ 618	\$ 525	\$ -
<b>Adjusted EBITDA (Non-IFRS)</b>	<b>\$ (2,735)</b>	<b>\$ (718)</b>	<b>\$ (1,028)</b>	<b>\$ (155)</b>

## Management's Discussion and Analysis

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Adjusted EBITDA of the Company for the six months ended June 30, 2020 was \$(2,735) and \$(1,028) for the three months ended June 30, 2020 compared with (\$718) for the period ended June 30, 2019 and \$(155) for the three months ended June 30, 2019. The Company's Adjusted EBITDA declined by \$2,017 for the six month period as the Company increased inventory in the first quarter of 2020 in anticipation of the commencement of delivery of supply commitments under the Pharmacy Sales Agreements. As part of this strategy, the Company shows a significant improvement of \$679 between the three month period ended on June 30, 2020 and March 31, 2020. The Company maintains a lean cost structure, despite its expansion of operations.

### Review of Operations for the six and three months ended June 30, 2020 and 2019

#### Revenues

The Group operates in one reporting segment. The main revenues of the Group are generated from sales of medical cannabis products to customers in Israel.

Revenues for the six months ended June 30, 2020 were \$5,097 and for the three months ended June 30, 2020 were \$3,757, compared to \$4,269 for the six months ended June 30, 2019 and \$2,314 for the three months ended June 30, 2019, an increase of \$828 or 19% for the six months ended June 30, 2020 and an increase of \$1,443 or 62% for the three months ended June 30, 2020. The increase in revenues for the three months ended June 30, 2020 is attributable to deliveries made under the Pharmacy Sales Agreements. Total product sold for the six months ended June 30, 2020 was 723kg at an average selling price of \$5.51 per gram compared to 1,115kg for the six months ended June 30, 2019 at an average selling price of \$3.18 per gram.

#### Cost of revenues

The cost of revenues includes production, 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 cost of revenues for the six months ended June 30, 2020 and 2019 were \$2,441 and \$1,862, respectively, representing an increase of \$579 or 31%. Cost of revenues for the three months ended June 30, 2020 and 2019 were \$1,732 and \$690, respectively, representing an increase of \$1,042 or 151%. Most of the cost of revenues were comprised of production works, utilities, salary expenses and deliveries, as well as certain adjustments the Company made in order to adhere to the MOH's new regulation. Focus expects net cost of sales to vary from quarter to quarter based on the number of pre-harvest plants, after harvest plants and the strains being grown and based on technological progress in the trimming machines.

#### Gross profit

Included in the Company's calculation of gross profit are the following:

- production costs (current period costs that are directly attributable to the cannabis growing and harvesting process);

**Management's Discussion and Analysis**

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- 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).

Included in gross profit is 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 for the six months ended June 30, 2020 and 2019 was \$6,580 and \$3,566, respectively, representing an increase of \$3,014 or 85%. For the three months ended June 30, 2020 and 2019 gross profit was \$1,988 and \$2,264, respectively, representing a decrease of \$276 or 12%. Gross profit included gains from unrealized changes in fair value of biological assets and realized fair value adjustments on inventory sold of \$3,924 and \$1,159 for the six months ended June 30, 2020 and 2019, respectively. Gross profit for the three months ended June 30, 2020 and 2019 were \$(37) and \$640, respectively.

**Expenses****General and Administrative**

General and administrative expenses for the six months ended June 30, 2020 and 2019 were \$5,026 and \$3,275, respectively, representing an increase of \$1,751 or 53%. For the three months ended June 30, 2020 and 2019, general and administrative expenses were \$3,096 and \$1,535, respectively, representing an increase of \$1,561 or 102%. The increase is attributable to increased corporate activity in Israel and Germany, as well as one time bonuses to employees in relation to the listing efforts in 2019 in the amount of \$525.

**Selling and Marketing**

Selling and marketing expenses for the six months ended June 30, 2020 and 2019 were \$1,184 and \$591, respectively, representing an increase of \$593 or 100%. For the three months ended June 30, 2020, selling and marketing expenses were \$707, compared to \$327 for the three months ended June 30, 2019, representing an increase of \$380 or 116%. The increase in the selling and marketing expenses was due to the Company's increased marketing efforts in Germany as well as due to the increased distribution expenses relating to the increase in sales.

**Research and Development**

Research and development expenses for the six months ended June 30, 2020 and 2019 were \$134 and \$139, respectively, representing a decrease of \$5 or 4%. For the three months ended June 30, 2020 and 2019, research and development expenses were \$107 and \$85, respectively, representing an increase of \$22 or 26%. The slight decrease for the six months was primarily due to cost reductions in new projects in Israel, Germany, Greece and Portugal.



## Management's Discussion and Analysis

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### Share-based compensation

Share-based compensation expense for the six months ended June 30, 2020 and 2019 was \$1,427 and \$1,161, respectively, representing an increase of \$266 or 23%. For the three months ended June 30, 2020 and 2019, share-based compensation expense was \$933 and \$612, respectively, representing an increase of \$321 or 52%. The increase was mainly due to the grant of new incentive stock options on June 9, 2020 and the increase in the Company's share price which led to increase in the fair value adjustment of the warrants.

### Financing

Financing income (expense), net, for the six months ended June 30, 2020 and 2019 was \$(7,161) and \$(5,026), respectively, representing a cost increase of \$2,135 or 42%. For the three months ended June 30, 2020, financing income (expense) was \$(6,878) and \$61, respectively, representing an increase of \$6,939. The change was mainly due to the valuation update of the warrants issued in 2018 and 2019, which was effected by the Company's increased share price.

### Depreciation and Amortization

Depreciation and amortization expenses for six months ended June 30, 2020 and 2019 were \$428 and \$262, respectively, representing an increase of \$166 or 63%. For the three months ended June 30, 2020 and 2019, depreciation and amortization expenses were \$332 and \$454, respectively, representing a decrease of \$122 or 27%. Depreciation and amortization expenses are impacted by the adoption of IFRS 16, renewal of Focus' greenhouses and Focus' purchase of additional production equipment, as well as the amortization of intangible assets following the acquisition of Adjupharm.

### Net Income/Loss

Net income for the six months ended June 30, 2020 and 2019 was \$(9,496) and \$(7,197), respectively, representing a decrease of \$2,299 or 32%. For the three months ended June 30, 2020 and 2019, net income was \$(9,696) and \$(610), respectively, representing a decrease of \$9,086. The decrease related to factors impacting net income from operations described above, and finance expenses driven by revaluation of warrants in the amount of (\$7,021), which were recorded against liability on the grant day and were re-evaluated at June 30, 2020 through profit or loss.

### Loss per Share

Basic loss per share is calculated by dividing the net profit attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted profit per share is calculated by adjusting the earnings and number of 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 share excludes unissued common shares related to incentive stock options as they are antidilutive. Basic and diluted loss per share for the six and three months ended June 30, 2020 were (\$0.07) and (\$0.06) per share, respectively.

### Total Assets

Total assets as at June 30, 2020 were \$39,151, compared to \$15,852 as at June 30, 2019, representing an increase of \$23,299 or 147%. This increase was primarily due to the completion of the private placement offering of 19,460,527 subscription receipts in which Finco, a subsidiary of the Company, raised approximately \$20,433. Furthermore, during June 2020, the Company received \$6,032 in proceeds from 12,350,795 warrants and broker compensation options exercised, which were issued in May through June, 2018, with expiration dates between May through June, 2020. The Company used part of the proceeds from the warrant exercises for its operating activities and investing activities.

## Management's Discussion and Analysis

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### Total Liabilities

Total liabilities as at June 30, 2020 were \$10,183, compared to \$10,083 at June 30, 2019, representing a slight decrease of \$100 or 1%. The decrease was primarily due to an increase in trade payables, other payables and deferred tax liability, offset by a decrease in warrants liability of \$2,378.

### Intangible Assets

On March 15, 2019, IMC acquired Adjupharm, a licensed EU-GMP producer with wholesale, narcotics handling and import/export licenses for medical cannabis. As part of its global expansion and penetration plan into the European market, IMC acquired 100% of Adjupharm's issued and outstanding shares for €924 (approximately \$1,400).

Through the acquisition of Adjupharm, the Company recognized \$1,287 in intangible assets and goodwill. The goodwill arising on the acquisition was attributed to the expected benefits from the synergies of the combination of the activities of the Company and Adjupharm.

The goodwill recognized is not expected to be deductible for income tax purposes.

The Company recognized and updated the fair value of the assets acquired and liabilities assumed in the business combination according to a final valuation made by an external valuation specialist.

### Liquidity and Capital Resources

For the six months ended June 30, 2020, the Company generated revenues of \$5,097 from operations and until receiving the \$6,111 in proceeds from the exercise of warrants, broker compensation options and incentive stock options, financed its operations while meeting its capital requirements primarily through the October 2019 equity financing, upon the Reverse Takeover Transaction and listing on the CSE. The Company's objectives when managing its liquidity and capital resources are to generate enough cash to fund the Company's operating and working capital requirements.

As at June 30, 2020, the Company had a working capital surplus of \$27,305, compared to working capital of \$9,124 as at June 30, 2019. The increase in working capital of \$18,181 was primarily attributable to the cash raised from the Company's equity financing and exercise of warrants and broker compensation options. As of June 30, 2020 the Company had an unaudited cash balance of \$13,221 and no debt.

As at June 30, 2020, 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 June 30, 2020, management considers liquidity risk to be low.

## Management's Discussion and Analysis

As at June 30, 2020, the Group has identified the following liquidity risks related to financial liabilities:

	Less than one year	1 to 5 years	6 to 10 years	>10 years
Lease liabilities	\$ 198	\$ 298	\$ 574	\$ -

The maturity profile of the Company's other financial liabilities (trade payables, other account payable and accrued expenses, and warrants) as of June 30, 2020 are less than one year.

The consolidated 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 consolidated 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, 158,290,748 of which are issued and outstanding as of the date of this MD&A.

The Company's common shares confer upon their holders the right to participate in the general meeting with each common share having one voting right on all matters. The Company's 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. In addition, the issued and outstanding share capital is represented retrospectively after the issuance of 10 IMCC shares in exchange for every one IMC share, pursuant to the terms of the Reverse Takeover Transaction.

### **Contingent Liabilities and Commitments**

#### **(ix) Rental Liabilities**

In August 2010, Focus signed an agreement with a farmer, located in the south of Israel (the "Farmer"), according to which, Focus and the Farmer agreed to jointly operate an area of 7,000 square meters (the "Facility") for the cultivation and processing of medical cannabis (the "Venture"). For the purpose of this Venture, the parties agreed to operate under the operation of Focus. As part of the agreement, 26% of the share capital of Focus was allocated to the Farmer.

According to the agreement, Focus is responsible for transferring payments for the construction and rental of the Facility to the Farmer.

## Management's Discussion and Analysis

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On December 1, 2016, Focus signed an additional agreement with the Farmer, according to which Focus agreed to operate an additional area of 6,000 square meters for the cultivation and processing of medical cannabis, under the operation of Focus.

As of January 1, 2019, all rental liabilities are subject to IFRS16 and are reflected in the Company's balance sheet.

### (x) Class Action T.Z. 8394-11-16

On November 3, 2016, a motion was filed for approval of a class action against Focus and seven other Israeli cannabis growers (collectively, the "Growers"), for: (1) alleged use of chemical pesticides in the cannabis growing process, in contradiction to the Plant Protection Regulations (Compliance with Packaging Label Instructions) (the "Label Regulations") and to the Protection of Public Health Regulations (Food) (Residues of Pesticides) (the "Residues Regulations"), and the misleading of their customers, thus violating the Consumer Protection Law (the "Consumer Law") (hereafter: the "usage of pesticides claim"); (2) selling cannabis product with lower concentration of active ingredients than publicized; and (3) marketing products in defective packaging – allegedly causing violation of autonomy and unjust enrichment. The personal suit sum for every class member stands at NIS 5,000 (\$2). The total amount of the class action suit is estimated at NIS 133 million (\$50,633).

The Growers argued in their response that the threshold conditions for approval of a class action were not met, and that they did not violate the Label Regulations and the Residues Regulations. The Growers also argued that they are not liable for any civil wrongdoing, nor did they mislead users regarding usage of pesticides, or had any legal duty regarding cannabis packaging beyond MOH guidance and therefore did not breach any statutory duty. Additionally, the defense argues that there is no base for an unjust enrichment claim.

On September 6, 2018, the MOH and the Ministry of Agriculture submitted their official opinion to the court. The second preliminary hearing took place on October 29, 2018. In an evidentiary hearing held on September 9, 2019, the petitioners and the Growers testified and it was decided to remove the plaintiffs' second and last expert opinion from the motion. On December 31, 2019, the applicants submitted their summaries. On April 23, 2020, the Growers submitted their summaries to the Motion. On May 3, 2020, the applicants submitted their response to the Growers summaries.

At the current stage of the litigation process, Company's management believes, based on the opinion of its legal counsel, that it is not probable that the motion for a class action against Focus will be approved. Therefore, an accrual in respect of this litigation was recorded in the financial statements.

### (xi) Class Action T.Z. 35676-08-19

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 (\$261,000). 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. Therefore, on July 23, 2020 the Companies filed an application for ruling of expenses.

**Management's Discussion and Analysis**

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At this preliminary stage, Focus' management believes, based on the opinion of its legal counsel, that it is not possible to assess the prospects of the proceeding. Therefore, no provision has been recorded in respect thereof.

**(xii) Supreme Court of Justice 2335/19**

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, disproportionately, 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.

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.

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.

As to the continuation of the legal process, the court held that the respondents represented by the Israeli State Attorney's Office shall submit an updated notice to the Court regarding the progress of the proceedings before the Price Committee until May 1, 2020.

Extensions to the deadline to submit responses have been periodically granted. The current deadline is September 13, 2020.

At this preliminary stage, Focus' management believes, based on the opinion of its legal counsel, that it is not possible to assess the outcome of the proceeding. Therefore, no provision has been recorded in respect thereof.

**Management's Discussion and Analysis**

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**(xiii) Class Action T.Z. 31805-10-19**

On October 30, 2019, Focus was served with a motion for approval of a class action against it, the Medical Cannabis Unit of the MOH ("MCU"), and five other companies related to the cannabis market in Israel. The motion was filed in connection to a stopping of supplies of medical cannabis by way of direct supply. The legal causes alleged in the motion are the following: discrimination in violation of the Equal Rights for Persons with Disabilities Act, 1988 and a restrictive arrangement contrary to the Economic Competition Law, 1988. The motion argues that the class action group incurred damages in the amount of NIS 656 million (\$250,000). On June 24, 2020 the claim was dismissed with consent of the Parties.

**Off-Balance Sheet Arrangements**

IMCC has no off-balance sheet arrangements as at June 30, 2020.

**Transactions with Related Parties**

The Company had no 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.

**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 IMCC currently competes is complex, competitive and changing rapidly. 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.

The following risk factors have been identified by management:

**(i) General Business Risk and Liability**

Given the nature of the Company'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 Company, 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. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or the suspension or revocation of the Company's right to carry on its existing business. The Company may incur significant costs in connection with such potential liabilities.

## Management's Discussion and Analysis

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### (ii) Consolidation of Focus 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 Option Agreements) 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 receives economic benefits from Focus (and the terms of the Commercial Agreements cannot be changed without the approval of the Company);
- (b) the Company has the option to purchase the 74% interest from the Principals;
- (c) the CEO of the Company is the sole director of Focus (while simultaneously a substantial shareholder of the Company) and the Principals wholly own Focus; and
- (d) the Company provides 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 the Principals 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.

### (iii) 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 in contravention to Israeli rules restricting the ownership of Israeli cannabis cultivators and thereby jeopardizing Focus' cannabis cultivation license. If the Company is deemed to be in contravention of Israeli rules, that 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.

**Management's Discussion and Analysis**

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**(iv) Regulation of the Cannabis Industry**

The 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, relating to the manufacture, marketing, management, transportation, storage, sale, pricing and disposal of medical cannabis and cannabis oil, and also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment.

Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Group, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services. Achievement of the Group's 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 Group cannot predict the time required to secure all appropriate regulatory approvals for its products, 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 and financial condition 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 Group's 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 Company's products or services in any way, this could have a material adverse effect on the business, results of operations and financial condition of the Group.

**(v) 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, transportation, storage, sale and disposal of medical cannabis but also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. While the Company is currently in compliance with all such laws, regulations and guidelines, any changes due to matters on such laws and regulations beyond the control of the Company could have a material adverse effect on the business, results of operations and financial condition of the Company.

**(vi) Environmental and Employee Health and Safety Regulations**

The Group's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and nonhazardous materials and wastes, and employee health and safety. The Group 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 restrictions on our 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.



**Management's Discussion and Analysis**

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**(vii) Reliance on License Renewal**

Focus is dependent on the License and the need to maintain such License in good standing. Failure to comply with the requirements of the License or any failure to maintain the License would have a material adverse impact on the business, financial condition and operating results of Focus and the Company, which derives revenues from Focus. The license was renewed on December 13, 2018 and expires October 4, 2020. Although management believes it will meet the requirements of the MOH annually for extension of the License, there can be no guarantee that MOH will extend or renew the License or, if it is extended or renewed, that it will be extended or renewed on the same or similar terms.

Should MOH not extend or renew the License, or should it renew the License on different terms or not allow for anticipated capacity increases, the business, financial condition and results of the operations of the Focus will be materially adversely affected.

**(viii) Dependence on Senior Management**

The success of the Company is dependent upon the contributions of senior management. The loss of any of these individuals, or an inability to attract, retain and motivate sufficient members of qualified senior management personnel could adversely affect its business. This risk is partially mitigated by the fact that the senior management team are significant shareholders in the Company.

**(ix) Competition in the Industry**

There is potential that the Company will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than the Company. Because of the early stage of the industry in which IMCC operates, the Company expects to face additional competition from new entrants. If the number of users of medical cannabis in Israel increases, the demand for products 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.

There is also the potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope. Increased competition by larger, better-financed competitors with geographic advantages could materially and adversely affect the business, financial condition and results of operations of the Company.

**(x) Risks Inherent in the Agricultural Business**

The Company's business, specifically as it pertains to its relationship with Focus, involves the growing of medical cannabis, which is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as pests, plant diseases and similar agricultural risks. Although Focus grows its products indoors under climate-controlled conditions, and carefully monitors the growing conditions with trained personnel, 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 of Focus.

**Management's Discussion and Analysis**

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**(xi) Restrictions on Sales and Marketing**

The industry is in its early development stage and restrictions on sales and marketing activities imposed by the MOH, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations 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.

**(xii) Publicity or Consumer Perception**

The Company believes the medical cannabis industry is highly dependent upon consumer perception regarding the safety, efficiency and quality of the medical cannabis produced. Consumer perception of the Company'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 Company's brand and the business, results of operations, financial condition and the Company's cash flows. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for products bearing the Company's brand, and the business, results of operations, financial condition and cash flows of the Company.

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

**(xiii) 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 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 materially impact the business, financial condition, and operating results of the Company. Any ability to secure required supplies and services or to do so on appropriate terms could also have a materially adverse opinion impact on the business, financial condition, and operating results of the Company.

**Management's Discussion and Analysis**

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**(xiv) Sufficiency of Insurance**

The Company maintains various types of insurance which may include product liability insurance (see "Potential Product Liability" below), errors and omission insurance, directors', 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 will 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 Company in excess of available coverage could have a material adverse effect of the Company in terms of damages awarded and the impact and reputation of the Company.

**(xv) Potential Product Liability**

As IMCC derives a significant portion of its revenues from Focus, which is a manufacturer of products designed to be ingested or inhaled by humans. Focus products bearing the Company's brand 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 Focus products bearing the Company's brand involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination, unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of Focus products bearing the Company's brand alone or in combination with other medications or substances could occur.

The Company may be subject to various product liability claims, including, among others, that products bearing IMCC's brand 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 Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Company.

There can be no assurances that the Company 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 products bearing the Company's brand.

**(xvi) Potential General Litigation**

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company become involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Company's common shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources.

**(xvii) 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 bearing IMCC's brand are recalled due to an alleged product defect or for any other reason, IMCC could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall.

**Management's Discussion and Analysis**

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IMCC 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 Company 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 Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any one of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of IMCC's operations by the MOH or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

**(xviii) Management of Growth**

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, that may have a material adverse effect on the Company's business, financial condition, results of operation and prospects.

**(xix) COVID-19**

The current global uncertainty with respect to the spread of the COVID-19 novel coronavirus ("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 Company's business in the coming months.

The Company has taken proactive measures throughout the COVID-19 pandemic to protect the health and safety of its employees, to continue delivering high quality medical cannabis to its patients and to maintain its balance sheet.

While the precise impact of the COVID-19 outbreak on the Company remains unknown, rapid spread of COVID-19 and declaration of the outbreak as a global pandemic has 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 and around the world and could result in additional precautionary measures that could impact the Company'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, which could interrupt supplies and other services from third parties upon which the Company relies, decrease demand for products, 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 Company.

## Management's Discussion and Analysis

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### (xx) Focus' Essential Service Designation

In response to the pandemic, the State of Israel has implemented mandatory shut-downs of non-essential businesses to prevent the spread of COVID-19. Focus' business has been deemed an "essential service", permitting it to continue production. There is no guarantee that further measures may nevertheless require Focus to shut down or limit its operations in the State of Israel. Any disruptions to the business and operations of Focus in the event that Focus were to lose its designation as an "essential service" in the State of Israel may materially and negatively impact the business, financial condition and results of operations of the Company.

### Company Outlook

The Company, through the License Agreement and Services Agreement, continues to expand brand recognition, to supply the growing medical market in Israel with products bearing IMCC's brand. Additionally, the government is discussing the possibility of exporting cannabis and changing the pricing method from fixed price to various price, which could increase the Company's revenues.

### Critical Accounting Estimates

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.

### New standards, interpretations and amendments

The following new accounting standards applied or adopted during the six months ended June 30, 2020, had impact on the interim condensed consolidated 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 Amendment"). The 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 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.

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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 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.

**Subsequent Events**

- a. In July 2020, Adjupharm entered into four definitive sales agreements for medical cannabis from the Zur Rose Group ("Zur Rose"), axicorp Grouppremedix GmbH ("axicorpmedix"), canymed GmbH ("canymed") and Materia Deutschland GmbH ("Materia"), respectively. The sales agreements entered into with axicorpmedix and canymed are each for three-year terms and the sales agreement entered into with Zur Rose and Materia are each for one-year terms. All four sales agreements include binding purchase commitments.

The Company has now secured seven definitive purchase commitments with distributors in Germany for a total of 1,525kg to be delivered by July 2021.

- b. On July 24, 2020, Focus signed a supply agreement with Ever Green Solomon Pharma Ltd ("Ever Green") to purchase all of the medical cannabis produced by Ever Green for 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 ten years. The finished products will be sold by IMCC to pharmacies in Israel under the IMC brand.

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**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 Executive Officer ("CEO") and Chief Financial Officer ("CFO"), assessed the effectiveness of the Company's internal controls over financial reporting and concluded that as at June 30, 2020, the Company's internal control over financial reporting was effective and yet constantly seek to improve it.

During the six months ended June 30, 2020, 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 CEO and CFO, 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.

**Additional Information**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).



**IM CANNABIS CORP.**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF JUNE 30, 2020**  
**(Unaudited)**





IM CANNABIS CORP.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2020

Canadian dollars in thousands

(Unaudited)

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## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian Dollars in thousands

	Note	June 30, 2020 Unaudited	December 31, 2019
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		\$ 13,221	\$ 13,926
Trade receivables		2,762	1,810
Advances to suppliers		3,441	2,565
Other accounts receivable		262	516
Biological assets	3	-	52
Inventories	4	11,193	5,422
		30,879	24,291
NON-CURRENT ASSETS:			
Property, plant and equipment, net		4,565	3,392
Investments in financial assets		1,245	912
Right-of-use assets, net		1,021	1,023
Deferred tax assets		73	89
Intangible assets, net		1,070	889
Goodwill		298	298
		8,272	6,603
Total assets		\$ 39,151	\$ 30,894

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

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian Dollars in thousands

		June 30, 2020	December 31, 2019
	Note	Unaudited	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables		\$ 1,822	\$ 992
Other accounts payable and accrued expenses		1,556	1,458
Current maturities of lease liabilities		196	159
		3,574	2,609
NON-CURRENT LIABILITIES:			
Warrants measured at fair value	5	3,406	197
Deferred tax liability, net		2,024	826
Employee benefit liabilities, net		312	262
Lease liabilities		867	891
		6,609	2,176
Total liabilities		10,183	4,785
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital and premium	6	35,985	25,947
Translation reserve		1,183	309
Reserve from share-based payment transactions		4,049	2,677
Accumulated deficit		(14,302)	(4,273)
Total equity attributable to equity holders of the Company		26,915	24,660
Non-controlling interests		2,053	1,449
Total equity		28,968	26,109
Total liabilities and equity		\$ 39,151	\$ 30,894

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)**

Canadian Dollars in thousands, except per share data

	Six months ended June 30,		Three months ended June 30,	
	2020	2019	2020	2019
	Unaudited			
Revenues	\$ 5,097	\$ 4,269	\$ 3,757	\$ 2,314
Cost of revenues	2,441	1,862	1,732	690
Gross profit before fair value adjustments	2,656	2,407	2,025	1,624
Fair value adjustments:				
Unrealized change in fair value of biological assets	6,755	2,989	2,284	1,250
Realized fair value adjustments on inventory sold in the period	(2,831)	(1,830)	(2,321)	(610)
Total fair value adjustments	3,924	1,159	(37)	640
Gross profit	6,580	3,566	1,988	2,264
General and administrative expenses	5,026	3,275	3,096	1,535
Selling and marketing expenses	1,184	591	707	327
Research and development expenses	134	139	107	85
Share-based compensation	1,427	1,161	933	612
Total operating expenses	7,771	5,166	4,843	2,559
Operating loss	7 (1,191)	(1,600)	(2,855)	(295)
Finance income	427	296	203	284
Finance expense	(7,588)	(5,322)	(7,081)	(223)
Finance income (expenses), net	5 (7,161)	(5,026)	(6,878)	61
Loss before income taxes	(8,352)	(6,626)	(9,733)	(234)
Income tax expense (benefit)	1,144	571	(37)	376
Net loss	(9,496)	(7,197)	(9,696)	(610)
Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation to presentation currency	1,038	131	(610)	29
Total other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods	(33)	131	(33)	29
Other comprehensive income (loss) that will be reclassified to profit or loss in subsequent periods:				
Adjustments arising from translating financial statements of foreign operation	(60)	-	(50)	-
Total other comprehensive income (loss) that will be reclassified to profit or loss in subsequent periods	(60)	-	(50)	-
Total other comprehensive income (loss)	945	131	(693)	-
Total comprehensive loss	\$ (8,551)	\$ (7,066)	\$ (10,389)	\$ (581)

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)**

Canadian Dollars in thousands, except per share data

	Note	Six months ended June 30,		Three months ended June 30,	
		2020	2019	2020	2019
		Unaudited			
Net income (loss) attributable to:					
Equity holders of the Company		\$ (9,996)	\$ (7,642)	\$ (9,579)	\$ (935)
Non-controlling interests		500	445	(117)	325
		<u>\$ (9,496)</u>	<u>\$ (7,197)</u>	<u>\$ (9,696)</u>	<u>\$ (610)</u>
Total comprehensive income (loss) attributable to:					
Equity holders of the Company		\$ (9,155)	\$ (7,538)	\$ (10,261)	\$ (908)
Non-controlling interests		604	472	(128)	327
		<u>\$ (8,551)</u>	<u>\$ (7,066)</u>	<u>\$ (10,389)</u>	<u>\$ 581</u>
Net loss per share attributable to equity holders of the Company:					
Basic and diluted net loss per share (in CAD):	8	\$ (0.07)	\$ (0.06)	\$ (0.06)	\$ (0.01)

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

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Canadian Dollars in thousands

	Attributable to equity holders of the Company				Total	Non-controlling interests	Total equity
	Share capital and premium	Reserve for share-based payment transactions	Translation reserve	Retained earnings (deficit)			
Balance as of January 1, 2020	\$ 25,947	\$ 2,677	\$ 309	\$ (4,273)	\$ 24,660	\$ 1,449	\$ 26,109
Exercise of warrants (see Note 6b)	9,904	-	-	-	9,904	-	9,904
Exercise of options (see Note 6c)	131	(52)	-	-	79	-	79
Share based payment	-	1,427	-	-	1,427	-	1,427
Forfeited options	3	(3)	-	-	-	-	-
Net income (loss)	-	-	-	(9,996)	(9,996)	500	(9,496)
Other comprehensive income (loss)	-	-	874	(33)	841	104	945
	-	-	874	(10,029)	(9,155)	604	(8,551)
Balance as of June 30, 2020 (Unaudited)	\$ 35,985	\$ 4,049	\$ 1,183	\$ (14,302)	\$ 26,915	\$ 2,053	\$ 28,968
Balance as of January 1, 2019	\$ 7,099	\$ -	\$ 43	\$ 3,040	\$ 10,182	\$ 1,429	\$ 11,611
Share based compensation	-	1,161	-	-	1,161	-	1,161
Share based compensation of subsidiary	-	-	-	-	-	63	63
Net income (loss)	-	-	-	(7,642)	(7,642)	445	(7,197)
Other comprehensive income	-	-	104	-	104	27	131
	-	-	104	(7,642)	(7,538)	472	(7,066)
Balance as of June 30, 2019 (Unaudited)	\$ 7,099	\$ 1,161	\$ 147	\$ (4,602)	\$ 3,805	\$ 1,964	\$ 5,769

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

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Canadian Dollars in thousands

	Six months ended June 30,	
	2020	2019
	Unaudited	
<u>Cash flows from operating activities:</u>		
Net loss for the period	\$ (9,496)	\$ (7,197)
<u>Adjustments for non-cash items:</u>		
Unrealized gain on changes in fair value of biological assets	(6,755)	(2,989)
Fair value adjustment on sale of inventory	2,831	1,830
Fair value adjustment of warrants measured at fair value	7,021	4,731
Depreciation of property, plant and equipment	317	133
Amortization of intangible assets	8	49
Depreciation of right-of-use assets	103	24
Finance expenses, net	34	-
Changes in employee benefit liabilities, net	4	20
Deferred tax expense, net	1,160	291
Share-based payment	1,427	1,161
	6,150	5,250
<u>Changes in working capital:</u>		
Increase in trade receivables, net	(850)	(166)
Decrease (increase) in other accounts receivable	(465)	78
Decrease in biological assets, net of fair value adjustments	6,809	3,021
Increase in inventories, net of fair value adjustments	(8,251)	(3,225)
Increase (decrease) in trade payables	1,063	(277)
Increase in other accounts payable and accrued expenses	28	594
	(1,666)	25
Taxes paid	(295)	(126)
Net cash used in operating activities	(5,307)	(2,048)
<u>Cash flows from investing activities:</u>		
Purchase of property, plant and equipment	(1,321)	(410)
Investments in financial assets	(274)	-
Acquisition of subsidiary (schedule A)	-	(1,316)
Net cash used in investing activities	(1,595)	(1,726)

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

Canadian Dollars in thousands

	Six months ended June 30,	
	2020	2019
	Unaudited	
<u>Cash flow from financing activities:</u>		
Proceeds from exercise of warrants	6,032	-
Proceeds from exercise of options	79	-
Repayment of lease liability	(89)	(16)
Repayment of lease liability interest	(35)	(29)
Repayment of bank loan	-	(621)
Net cash provided by (used in) financing activities	5,987	(666)
Effect of foreign exchange on cash and cash equivalents	210	(92)
Decrease in cash and cash equivalents	(705)	(4,532)
Cash and cash equivalents at beginning of the period	13,926	7,591
Cash and cash equivalents at end of the period	\$ 13,221	\$ 3,059

Schedule A - Acquisition of a subsidiary:

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

Working capital deficit (excluding cash and cash equivalents)	\$ -	\$ 166
Bank credit	-	(321)
Bank loan	-	(624)
Property, plant and equipment	-	702
Intangible assets	-	1,149
Goodwill	-	552
Deferred tax liability	-	(308)
	\$ -	\$ 1,316

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



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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Canadian Dollars in thousands, except share and per share data

## NOTE 1:- GENERAL

## a. Corporate information:

IM Cannabis Corp. (the "Company" or "IMCC") is listed on the Canadian Securities Exchange ("CSE") under the ticker symbol "IMCC". IMCC's main office is located in Kibutz Gilil-Yam, Israel.

IMC 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 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.

The Company, its subsidiaries and Focus (collectively: the "Group") operate in one reporting segment. The majority of the Group's revenues are generated from sales of medical cannabis products to customers in Israel. 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.

These financial statements have been prepared in a condensed format as of June 30, 2020, and for the six and three months then ended ("interim condensed consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2019, and for the year then ended and accompanying notes ("annual consolidated financial statements").

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. In addition, global equity markets have experienced significant volatility and weakness.

To date, the COVID-19 pandemic has not had a material negative impact on the Company's results of operations. The Company, as well as its distribution channels are considered essential businesses (food and drug retailers) that continue to operate during this period. However, the duration and severity of the COVID-19 pandemic is unknown at this time and the Company is unable to predict the effect should the situation continue for a prolonged period.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

## NOTE 1:- GENERAL (Cont.)

- b. Approval of interim condensed consolidated financial statements:

These interim condensed consolidated financial statements of the Company were authorized for issue by the Board of Directors on August 26, 2020

- c. Strategic developments:

1. On January 23, 2020, IMC signed definitive agreements to establish a medical cannabis cultivation and processing joint venture in Greece (the "Joint Venture") with Galen Industries Single Member Societe Anonyme, a Greek company established by a consortium of investors in Greece with extensive experience in the pharmaceutical, media, finance and energy sectors ("Galen").

IMC will own 25% of the Joint Venture and the remaining 75% of the Joint Venture will be owned by Galen. Each party is committed to fund the initial capital expenditures, totaling approximately up to €8,000,000 (approximately \$11,675 ) to fund the construction of an EU-GMP certified cultivation and processing facility in Greece. IMC will invest up to €1,500,000 (approximately \$2,189) into the Joint Venture, with the balance funded by Galen. Execution of the Joint Venture's business plan will start immediately and construction of greenhouses as well as the EU-GMP facility is expected to begin upon receiving the Establishment Approval from the Greek medical cannabis regulatory authorities. The Joint Venture land plot size is expected to be 100,000 to 180,000 square meters (or 1,076,000 to 1,938,000 square feet).

In addition, the Joint Venture and IMC have signed a preferred supply agreement (the "Supply Agreement"). Under the Supply Agreement, IMC has the right to purchase up to 25% of the total production from the Joint Venture at a preferred price as determined in the agreement, for an initial period of five years. As of June 30, 2020, no capital expenditures have been made towards the Joint Venture given the uncertainty relating to COVID-19.

2. On March 23, 2020, Focus signed a Supply agreement (the "Intelicanna Supply Agreement") with Intelicanna Ltd. ("Intelicanna") for a minimum of 500kg and up to 1,000kg of medical cannabis. Additional purchases may be made by Focus under the agreement without a change to the contracted price paid to Intelicanna. The finished products will be sold to pharmacies in Israel under the IMC brand. The Intelicanna Supply Agreement is for a term of 12 months from the date of the first planting in Intelicanna's facility.

Intelicanna will obtain access to Focus Medical's unique and proprietary genetics for the purpose of delivering product under the Intelicanna Supply Agreement but the genetics will remain the exclusive property of Focus Medical. Intelicanna may not sell, transfer or perform research with the genetics it accesses through this Supply Agreement without consent from Focus Medical.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

## NOTE 1:- GENERAL (Cont.)

Under the Intelicanna Supply Agreement, Intelicanna is responsible for all production activities under Focus' supervision and quality control practices throughout the growing process at Intelicanna's site.

3. On March 30, 2020, Focus signed a binding three-year Sale agreement for the sale of medical cannabis (the "Sale Agreement") to three pharmacies in Jerusalem operating under the Oranim Pharm and Medi Plus banners (the "Pharmacies").

Focus will supply the Pharmacies a total of 800kg of medical cannabis annually for a period of three years. The total quantity of medical cannabis to be delivered under the Sale Agreement is 2,400kg and the Pharmacies are obligated to purchase the entire quantity at a contracted price pursuant to the Sale Agreement.

4. On March 31, 2020, Focus signed a three-year definitive Supply agreement (the "Supply Agreement") with Way of Life Ltd. and Cannation Ltd. ("Way of Life" and "Cannation", respectively, or the "Suppliers") to purchase a total of approximately 2,600kg of medical cannabis per year, for a total of up to 7,800kg of medical cannabis over three years. All finished products under the Supply Agreement will bear the IMC brand and be sold to pharmacies in Israel.

Way of Life is an IMC-GAP certified cultivator and is dedicating a 1,301 square meters (14,000 square feet). space at its facility for the cultivation of Focus' proprietary medical cannabis strains. The Supply Agreement with Cannation calls for a 5,017 square meters (54,000 square feet) area for the cultivation of Focus' proprietary medical cannabis strains, with the option to increase the dedicated area by an additional 10,034 square meters (108,000 square feet), and is contingent on Cannation receiving IMC-GAP certification by December 31, 2020.

The Suppliers will obtain access to Focus Medical's unique and proprietary genetics for the purpose of delivering products under the Supply Agreement but the genetics will remain the exclusive property of Focus. The Suppliers may not sell, transfer or perform research with the genetics it accesses through this Supply Agreement without consent from Focus. Under the Supply Agreement, Focus will have access to the Suppliers' growing facilities to monitor the entire growing process. As of June 30, 2020, Focus paid an advance at a total amount of NIS 750,000 (approximately \$296).

5. On April 6, 2020, Focus signed a binding two-year sales agreement for the sale of IMC branded medical cannabis with Shor Tabachnik pharmacies ("Tabachnik") (the "Tabachnik Sale Agreement"). According to the Tabachnik Sale agreement, Focus will supply Tabachnik 1,000Kg of IMC branded medical cannabis products annually through the duration of the Tabachnik Sale Agreement at a contracted price pursuant to the Tabachnik Sale Agreement.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

## NOTE 1:- GENERAL (Cont.)

6. On April 13, 2020, Focus signed a binding three-year agreement for the sale of 13,575kg of IMC branded medical cannabis products to Super-Pharm (Israel) Ltd. ("Super-Pharm") (the "SP Sale Agreement"). According to the SP Sale Agreement, Focus will sell to Super-Pharm with a total 13,575Kg of IMC branded medical cannabis over the next three years as follows: 2,270kg in 2020, 4,980kg in 2021, and 6,325kg in 2022. Medical cannabis products sold under the SP Sale Agreement will include both dry flower and extract products at a contracted price pursuant to the SP Sale Agreement.
7. On April 13, 2020, Focus signed a one-year binding agreement for the sale of 1,000kg IMC branded medical cannabis to Panaxia Labs Israel, Ltd. ("Panaxia") (the "Panaxia Sale Agreement"). Under the Panaxia Sale Agreement, Panaxia will have deliveries beginning in April 2020 with 1,000kg contracted for sale over the next 12 months at a contracted price pursuant to the Panaxia Sale Agreement.
8. On April 14, 2020, Focus signed an agreement for the sale of up to 1,500kg over three years of IMC branded medical cannabis to Max Pharm Ltd. ("Max Pharm") (the "MP Sale Agreement"). Under the MP Sale Agreement, Max Pharm will have deliveries beginning in 2021 with annual 500kg at a contracted price pursuant to the MP Sale Agreement. Max Pharm has an option to increase the annual capacity in 2021, 2022 and 2023 for an additional 500kg in each year, for a total potential volume of 1,500kg over three years.
9. On April 21, 2020, Focus signed a binding three-year agreement for the sale of 12,600kg of IMC branded medical cannabis products to PharmYarok Ltd. ("PharmYarok") (the "PY Sale Agreement"). According to the PY Sale Agreement, Focus will sell to PharmYarok with a total 12,600Kg of IMC branded medical cannabis between 2021 and 2023 in equal annual volumes of 4,200kg, at a contracted price pursuant to the PY Sale Agreement, subject to PharmYarok meeting regulatory requirements. Medical cannabis products sold under the PY Sale Agreement will include both dry flower and extract products at a contracted price pursuant to the PY Sale Agreement.
10. On April 26, 2020, Focus signed a three-year definitive Supply agreement (the "Megadim Supply Agreement") with an independent farmer located in Megadim, to purchase a total of approximately 8,060kg of medical cannabis over three years. All finished products under the Megadim Supply Agreement will bear the IMC brand and be sold to pharmacies in Israel.

The Suppliers will obtain access to Focus Medical's unique and proprietary genetics for the purpose of delivering products under the Supply Agreement but the genetics will remain the exclusive property of Focus. The Suppliers may not sell, transfer or perform research with the genetics it accesses through this Supply Agreement without consent from Focus. Under the Supply Agreement, Focus will have access to the Suppliers' growing facilities to monitor the entire growing process.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

## NOTE 1:- GENERAL (Cont.)

11. On May 5, 2020, and August 4, 2020, subsequent to the reporting period, according to the share purchase agreement (the "SPA") with Xinteza API Ltd. ("Xinteza"), dated December 26, 2019, the Company paid the second and third installments (US 200 thousands each installment) in the aggregated amount of US\$ 400 thousand (\$ 576) for the purchase of 9,960 Preferred Shares, which represents on an if-converted and fully diluted basis, approximately 6% of the outstanding share capital of Xinteza. As of June 30, 2020, the Company holds a total of 13.5% of the outstanding share capital of Xinteza on an if-converted and fully diluted basis. The investment in Preferred Shares is accounted for as a financial asset at fair value through profit or loss.
12. On May 7, 2020, AdjuPharm signed a definitive twelve-month sales agreement with two distributors in Germany for 360kg of medical cannabis over the next twelve months, at a fixed price per gram.
13. On May 12, 2020, AdjuPharm signed a twelve-month sales agreement with a medical cannabis distributor in Germany, according to which, the distributor will purchase a total of 465kg of IMC branded medical cannabis products over the next year, out of this, 190kg is expected to be delivered until the end of 2020.
14. On May 19, 2020 AdjuPharm received an approval to import 4,000kg of medical cannabis into Germany from additional foreign suppliers, pursuant to a license extension (the "License") granted by the German Medical Regulatory Authority ("GMRA"). All future imports of medical cannabis will be made under this License, allowing to import either bulk products, such as dry flowers and Dronabinol and extract products for end-products.

See also Note 9, Subsequent Events.

## 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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

## NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

## a. Basis of presentation and measurement:

The interim condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34").

The interim condensed consolidated financial statements are presented in Canadian dollars and are prepared in accordance with the same accounting policies, described in the Company's annual consolidated financial statements, except for the adoption of new accounting standards identified in Note 2c.

## b. Significant accounting policies:

The preparation of the Company's interim condensed consolidated financial statements under IFRS requires management to make judgements, estimates, and assumptions about the carrying amounts of certain assets and liabilities. Estimates and related assumptions are based on historical experience and other relevant factors. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis for reasonableness and relevancy. Where revisions are required, they are recognized in the period in which the estimate is revised as well as future periods that are affected.

## c. New or amended standards effective January 1, 2020:

IFRS 3, "Business Combinations":

In October 2018, the IASB issued an amendment to the definition of a "business" in IFRS 3, "Business Combinations" (the "Amendment"). The 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 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.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

## NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 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. The adoption of this Amendment is not expected to have a material effect on the consolidated financial statements.

## NOTE 3:- BIOLOGICAL ASSETS

The Company's biological assets consist of cannabis plants. The changes in the carrying value of biological assets are as follows:

Balance at January 1, 2020	\$	52
Production costs capitalized		1,150
Changes in fair value less cost to sell due to biological transformation		6,755
Transferred to inventory upon harvest		(7,960)
Foreign exchange translation		3
Balance at June 30, 2020 (unaudited)		-

## NOTE 4:- INVENTORIES

The following is a breakdown of inventory at June 30, 2020 (unaudited):

	Capitalized costs	Fair valuation adjustment	Carrying value
Work in progress:			
Bulk cannabis	\$ 2,612	\$ 6,581	\$ 9,193
Finished goods:			
Packaged dried cannabis	747	1,080	1,827
Other	173	-	173
	<u>\$ 3,532</u>	<u>\$ 7,661</u>	<u>\$ 11,193</u>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

## NOTE 4:- INVENTORIES (Cont.)

The following is a breakdown of inventory at December 31, 2019:

	Capitalized costs	Fair valuation adjustment	Carrying value
Work in progress:			
Bulk cannabis	\$ 693	\$ 1,596	\$ 2,289
Finished goods:			
Packaged dried cannabis	922	1,849	2,771
Other	362	-	362
	<u>\$ 1,977</u>	<u>\$ 3,445</u>	<u>\$ 5,422</u>

During the six months ended June 30, 2020 and 2019, inventory expensed to cost of goods sold was \$5,272 and \$3,692, respectively, which included \$2,831 and \$1,830 of non-cash expense, respectively, related to the changes in fair value of inventory sold.

During the three months ended June 30, 2020 and 2019, inventory expensed to cost of goods sold was \$4,053 and \$1,300, respectively, which included \$2,321 and \$610 of non-cash expense, respectively, related to the changes in fair value of inventory sold.

## NOTE 5:- 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.

	Fair value method
<i>Financial instruments measured at fair value:</i>	
Liability for Warrants *)	Trading price on the market

*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)
Trade payables, other accounts payable and accrued expenses	Carrying amount (approximates fair value due to short-term nature)

- \*) The fair value of the 2019 Warrants, as described in Note 15c to the annual consolidated financial statements, in the amount of \$3,406 as of June 30, 2020, is categorized within Level 1 of the fair value hierarchy.  
Financing expense (income) for the six months ended June 30, 2020 and 2019 include fair value adjustment of Warrants measured at fair value in the amounts of \$7,021 and \$4,731, respectively. For the three months ended June 30, 2020, financing expense (income) include fair value adjustment of Warrants measured at fair value in the amounts of \$7,188 and \$(202), respectively.



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

## NOTE 6:- EQUITY

- a. Composition of share capital:

	June 30, 2020		December 31, 2019	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
	Number of shares			
Ordinary shares without par value	Unlimited	158,290,748	Unlimited	145,743,283

Ordinary 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.

- b. Movements in share capital:

During June 2020, the Company has received \$6,032 proceeds from Warrants and Compensation options exercised, which were issued in May through June, 2018, with expiration dates between May through June, 2020 (the "Warrants and Compensation options"). A total of 12,350,795 Warrants and Compensation options were exercised, representing 92.1% of the total Warrants and Compensation options quantity, at a price of \$0.50 per Warrant and \$0.40 per Compensation option. The Warrants which were accounted for as a liability were revalued to their fair value immediately prior to their exercise. The revaluation in the amount of \$3,872 was recorded as finance expenses in the six months ended June 30, 2020. The carrying amount of the liability was reclassified to equity upon exercise of the Warrants. The unexercised Warrants and Compensation options expired.

- c. Share option plan:

On December 19, 2018, the Board of Directors approved the "2018 Share Incentive Plan" (the "2018 Plan"), for the granting of options, shares, restricted shares and restricted share units, (together "Awards"), in order to provide incentives to Group employees, directors, consultants and/or contractors. In accordance with the 2018 Plan, a maximum of 12,250,000 Ordinary shares are reserved for issuance.

In August 2019, as part of the RTO, as described in the annual consolidated financial statements the Company updated the 2018 plan and set the total Ordinary shares reserved for issuance to a maximum of 10% of the Ordinary shares issued and outstanding. As of June 30, 2020, a maximum of 15,829,075 Ordinary shares are reserved for issuance.

Awards granted under the 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 twelve 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 June 30, 2020, 2,920,735 Ordinary shares are available for future grants under the 2018 plan.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

## NOTE 6:- EQUITY

The fair value for options granted during the six-month period ended June 30, 2020, to the Group's employees, directors and advisors was estimated using the Black & Scholes option pricing model with the following assumptions:

Exercise price (in CAD)	\$1
Dividend yield (%)	-
Expected life of share options (Years)	5
Volatility (%)	79
Annual risk-free rate (%)	0.35
Share price (in CAD)	1.23

The weighted average fair value of each option on the grant date amounted to \$0.54.

The following table lists the number of share options and the weighted average exercise prices of share options in the 2018 Plan:

	June 30, 2020	
	Number of options	Weighted average exercise price
		in CAD
Options outstanding at the beginning of the period	11,760,000	\$ -
Options granted during the period *)	3,315,000	1
Options exercised during the period	(196,670)	0.40
Options forfeited during the period	(1,969,990)	0.40
Options outstanding at the end of period	12,908,340	\$ 0.55

The weighted average remaining contractual life for the share options outstanding as of June 30, 2020, was 7.88 years.

\*) During June 2020, the Company has received \$79 proceeds from exercise of 196,670 employees share options.

## NOTE 7:- SELECTED STATEMENTS OF PROFIT OR LOSS DATA

	Six months ended June 30,		Three months ended June 30,	
	2020	2019	2020	2019
	Unaudited			
Salaries and related expenses	\$ 3,073	\$ 2,034	\$ 1,946	\$ 1,274
Professional fees	\$ 2,215	\$ 689	\$ 1,288	\$ 448
Depreciation and amortization	\$ 428	\$ 262	\$ 332	\$ 168

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

## NOTE 8:- NET EARNINGS (LOSS) PER SHARE

Details of the number of shares and income (loss) used in the computation of earnings per share:

	Three months ended June 30,			
	2020		2019	
	Weighted average number of shares (in thousands)	Net loss attributable to equity holders of the Company	Weighted average number of shares (in thousands)	Net loss attributable to equity holders of the Company
For the computation of basic net earnings	154,424	\$ (9,579)	122,830	\$ (935)
Effect of potential dilutive Ordinary shares	-	-	-	-
For the computation of diluted net earnings	154,424	\$ (9,579)	122,830	\$ (935)

	Six months ended June 30,			
	2020		2019	
	Weighted average number of shares (in thousands)	Net loss attributable to equity holders of the Company	Weighted average number of shares (in thousands)	Net loss attributable to equity holders of the Company
For the computation of basic net earnings	150,036	\$ (9,996)	122,830	\$ (7,642)
Effect of potential dilutive Ordinary shares	-	-	-	-
For the computation of diluted net earnings	150,036	\$ (9,996)	122,830	\$ (7,642)

## NOTE 9:- SUBSEQUENT EVENTS

- During July 2020, AduPharm signed a binding four-year sale agreement of medical cannabis over the next twelve months from the Zur Rose Group (Zur Rose), Axicorp Groupremedix GmbH ("Axicorpmedix"), Canymed GmbH ("Canymed") and Materia Deutschland GmbH ("Materia"). The sales agreements entered into with Axicorpmedix and Canymed are both for three-year terms and the sales agreement entered into with Zur Rose and Materia is for a one-year term. The Company's definitive purchase commitments with distributors in Germany amount to an aggregate a total of 1,525kg to be delivered in the next twelve months.
- On July 24, 2020, Focus signed a supply agreement with Ever Green Solomon Pharma Ltd ("Ever Green") ("Solomon Supply Agreement") to purchase all of the medical cannabis produced by Ever Green for a period of five years with an option for Focus to extend the Solomon Supply Agreement for an additional five years, at a fixed price per gram. The finished products will be sold to pharmacies in Israel under the IMC brand.

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**Form 52-109FV2**  
***Certification of Interim Filings***  
***Venture Issuer Basic Certificate***

I, Shai Shemesh, the Chief Financial Officer of IM Cannabis Corp. certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of IM Cannabis Corp. (the "issuer") for the interim period ended June 30, 2020.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: August 26, 2020

"Shai Shemesh"

Shai Shemesh

Chief Financial Officer

**NOTE TO READER**

In contrast to the usual certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), namely, Form 52-109F1, this Form 52-109F1-IPO/RTO does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of an issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.





#### IM Cannabis Reports 62% Increase in Consolidated Revenue and 54% Gross Margin in Q2 2020

- Consolidated revenue increased to \$3.8 million in Q2 2020, from \$2.3 million in the prior year, a 62% increase, and a 180% increase over Q1 2020
- Gross margin before fair value impacts was 54% in Q2 2020
- Q2 2020 milestones include:
  - Six pharmacy sales agreements signed by Focus Medical to sell IMC-branded medical cannabis in Israel
  - Execution of German distribution platform with seven binding sales commitments signed
  - First imports from Spain and Canada into Israel by Focus Medical
  - Gross proceeds of approximately \$6.0 million from the exercise of warrants and broker compensation options

*\* Currency is in CAD\$ unless specified otherwise*

**Toronto and Gili Yam, Israel, August 26, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), a multi-country operator in the medical cannabis sector with operations in Israel and across Europe, is pleased to announce its financial results for the three and six months ending June 30, 2020 ("Q2 2020").

"In the second quarter of 2020, the IMC team executed on many milestones that will accelerate the Company's long-term growth. In particular, the supply and distribution structure for the sale of IMC-branded medical cannabis products in Israel and Germany has never been stronger, and now includes 13 total distribution partners and eight supply partners. We have only begun to see the financial results from our efforts with a 62% increase in revenue in the second quarter as compared to the prior year, and a 180% increase over the prior quarter. As we deliver on our contracted sales commitments and secure additional supply and distribution agreements, we have a strong balance sheet to fund our operations and I am very confident we will continue to build shareholder value as we establish IMC as a leading brand in global medical cannabis," said Oren Shuster, CEO of IMC.

#### Business Highlights

Highlights during the three months ended June 30, 2020:

- Consolidated revenue increased to \$3.8 million in Q2 2020, from \$2.3 million in Q2 2019, a 62% increase, while realizing gross margin before fair value impacts of 54%;
- Focus Medical Herbs Ltd. ("Focus Medical") signed sales agreements to supply an aggregate of 33,075kg of IMC-branded medical cannabis to six groups of Israeli pharmacies, with retail pharmacies in addition to e-commerce and home delivery platforms, which are expected to generate \$193.5 million of consolidated revenue over the next three years, with expected gross margins of approximately 50%;
- Focus Medical announced it has now secured all of the supply required to be delivered under the six binding pharmacy sales agreements it has signed, securing six sources of supply in Israel;

- Announced Focus Medical's first successful import of medical cannabis from Spain into Israel from the Company's EU-GMP supply partner, and its first import from Canada to Israel of indoor medical cannabis;
- Built the foundation for the Company's European distribution platform with three binding sales commitments with distributors in Germany for the delivery of over 825kg of IMC-branded medical cannabis products over the next twelve months;
- Announced a binding term sheet for the distribution of CannEpi<sup>®</sup>, a phytocannabinoid medicine developed for the treatment of refractory epilepsy, in Israel for a five-year term; and
- Exercised common share purchase warrants and broker compensation options for gross proceeds of approximately \$6.0 million.

Highlights subsequent to June 30, 2020:

- Added four distribution partners in Germany, for a total of seven, that will distribute IMC-branded medical cannabis, with a total of 1,525kg under binding purchase commitments; and
- Focus Medical entered into a five-year supply agreement, with the option to extend the agreement another five years, for the production of IMC-branded medical cannabis products with a cultivator in Israel, bringing the total to six cultivators producing under the IMC brand.

#### Overview of results for the year and three months ended June 30, 2020

	For the six months ended June 30,		For the three months ended June 30,	
	2020	2019	2020	2019
Revenues	\$ 5,097	\$ 4,269	\$ 3,757	\$ 2,314
Gross profit before fair value impacts in cost of sales	\$ 2,656	\$ 2,407	\$ 2,025	\$ 1,624
Gross margin before fair value impacts in cost of sales (%)	52%	56%	54%	70%
Net Income (Loss)	\$ (9,496)	\$ (7,197)	\$ (9,696)	\$ (610)
Net Income (Loss) per share attributable to equity holders of the Company - Basic and Diluted (in CAD)	\$ (0.07)	\$ (0.06)	\$ (0.06)	\$ (0.01)

	For the six months ended June		For the three months ended June	
	2020	2019	2020	2019
Operational Profit (Loss)	(1,191)	(1,600)	(2,855)	(295)
Depreciation & Amortization	428	262	332	168
<b>EBITDA</b>	<b>(763)</b>	<b>(1,338)</b>	<b>(2,523)</b>	<b>(127)</b>
IFRS Biological assets fair value adjustments, net	(3,924)	(1,159)	37	(640)
Share-based payments	1,427	1,161	933	612
Other Non-recurring costs	525	618	525	-
<b>Adjusted EBITDA (Non-IFRS)</b>	<b>(2,735)</b>	<b>(718)</b>	<b>(1,028)</b>	<b>(155)</b>

IMC reported revenues for the three months ending June, 2020 of \$3.8 million compared to \$2.3 million for the three months ending June 30, 2019, an increase of 62%. The increase was primarily due to higher selling prices in the Israeli medical cannabis market.

Adjusted EBITDA loss was \$1.0 million for the three months ending June 30, 2020, compared to a loss of \$0.2 million in the prior year. Adjusted EBITDA was impacted by the variance in revenue, as well as increases to operating expenses, which included new marketing and corporate initiatives in both Germany and Israel.

Net loss for the three months ending June 30, 2020 was \$9.696 million compared to a net loss of \$0.6 million for the three months ending June 30, 2019. The variance to net loss was attributable to the factors impacting EBITDA, a \$7.2 million non-cash expense relating to the revaluation of warrants, and a \$1.5 million increase in general and administrative costs.

The complete unaudited financial statements and related management's discussion and analysis for the three and six months ending June 30, 2020, will be available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

#### **About IM Cannabis Corp.**

IMC (CSE: IMCC) is a multi-country operator (MCO) in the medical cannabis sector headquartered in Israel and with operations across Europe. Over the past decade, IMC has built its brand as a provider of premium medical cannabis products in the Israeli market. The Company has also expanded its business to offer intellectual property related services to the medical cannabis industry based on proprietary processes and technologies it developed for the production of medical cannabis.

In Europe, IMC operate through a German-based subsidiary and EU-GMP certified medical cannabis distributor - Adjupharm GmbH. IMC's European presence is also augmented by strategic alliances with various pan-European EU-GMP cultivators and distributors with the objective of capitalizing on the increased demand for medical cannabis products and bringing the IMC brand and its product portfolio to European patients.

As one of the world's medical cannabis pioneers, IMC partners with renowned academic institutions and scientists as well as allocates resources and investments for the development of innovative technologies to improve the lives and medical cannabis therapies outcomes of patients around the world.

#### **About Focus Medical Herbs Ltd.**

Focus Medical is one of eight original licensed producers of medical cannabis in Israel and has over 10 years of experience growing high quality medical cannabis in the Israeli market. Focus Medical is an "investee" of the Company under IFRS due to the Company's "de facto control" over Focus Medical despite not having any direct or indirect ownership of it. Focus Medical has an exclusive commercial agreement with IMC to distribute its production under the IMC brand. In addition to its own capacity, Focus Medical has supply agreements with six other cultivators for additional supply using its proprietary genetics and for sale under the IMC brand.

#### ***Forward-Looking Information and Non-IFRS Measures***

This press release contains forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "likely" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. Forward-looking information in this press release includes statements relating to the strategic business plans of the Company.

Forward-looking information is based on assumptions that may prove to be incorrect, including but not limited to the ability of the Company to execute its business plan, the continued growth of the medical cannabis market in the countries in which the Company operates or intends to operate, the Company maintaining "de facto" control over Focus Medical in accordance with IFRS 10, Focus Medical maintaining its existing Israeli cultivation license and the expected decriminalization of cannabis in Israel. The Company considers these assumptions to be reasonable in the circumstances. However, forward-looking information is subject to known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements to differ materially from those expressed or implied in the forward-looking information. Such risks include, without limitation: the ability of the Company to comply with applicable government regulations in a highly regulated industry; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel, Germany, Portugal, Greece or any other foreign jurisdictions in which the Company operates or intends to operate; any failure of the Company to maintain "de facto" control over Focus Medical in accordance with IFRS 10; the Company and Focus Medical having to rely on third party cannabis producers to supply the Company and Focus Medical with product to successfully fulfill previously announced sales agreements and purchase commitments; the risk that regulatory authorities in Israel may view the Company as the deemed owner of more than 5% of Focus Medical in contravention to Israeli rules restricting the ownership of Israeli cannabis cultivators and thereby jeopardizing Focus Medical's cannabis cultivation license; unexpected disruptions to the operations and businesses of the Company and/or Focus Medical as a result of the COVID-19 global pandemic or other disease outbreaks including in the event that Focus Medical were to lose its designation as an essential service in the State of Israel during the current COVID-19 outbreak; any unexpected failure of Focus Medical to renew its cultivation license with the Israeli Ministry of Health; reliance on management; inconsistent public opinion and perception regarding the use of cannabis; engaging in activities considered illegal under US federal law; political instability and conflict in the Middle East; adverse market conditions; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; currency fluctuations; competition; and loss of key management and/or employees.

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This news release includes reference to "gross margin", "EBITDA" and "Adjusted EBITDA", which are non-International Financial Reporting Standards (**IFRS**) financial measures. Non-IFRS measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. The Company 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 most directly comparable IFRS measure presented by the Company in its financial statements would be gross profit before fair value adjustments divided by revenue. The Company defines EBITDA as earnings 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, depreciation of right-of-use assets, revaluation adjustments of financial assets and liabilities measured on a fair value basis and non-recurring transaction costs included in operating expenses. EBITDA and Adjusted EBITDA have no direct comparable IFRS financial measures. The Company has used or included these non-IFRS measures solely to provide investors with added insight into IMC's financial performance. Readers are cautioned that such non-IFRS measure may not be appropriate for any other purpose. Non-IFRS measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The forward-looking information contained herein are current as of the date of this press release. Except as required by law, the Company does not have any obligation to advise any person if it becomes aware of any inaccuracy in or omission from any forward-looking information, nor does it intend, or assume any obligation, to update or revise such forward-looking information to reflect new events or circumstances. Any and all forward-looking information included in this news release are expressly qualified by this cautionary statement, and except as otherwise indicated, are made as of the date of this press release.

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#### IM Cannabis Completes First Import into Germany, Further Strengthens Distribution Network

- First shipment received into Germany from EU-GMP supply partner, allowing the Company to begin fulfilling purchase commitments for IMC-branded products
- Adjupharm adds Cansativa, Ilios and Farmako to its distribution network, platform now includes ten distributors

*\* Currency is in CAD\$ unless specified otherwise*

**Toronto, Canada; Glil Yam, Israel; and Bad Oldesloe, Germany - September 15, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), a multi-country operator in the medical cannabis sector with operations in Israel and across Europe, is pleased to announce the first shipment from its EU-GMP supply partner into Germany. The Company is also announcing three new distribution agreements signed by its German subsidiary Adjupharm GmbH ("Adjupharm"), bringing the total number of distributors in its German distribution network to ten.

"The German market is growing rapidly and we have executed on building an excellent foundation to distribute our proprietary products across the highly fragmented pharmacy channel. As we scale imports from our EU-GMP supply partners, we will continue to add new products and new formats for the German medical cannabis market to establish IMC as the favoured brand known for consistency and quality. Our vision for leadership in global medical cannabis is progressing well and we are on the right path to achieve this goal through a network of trusted partnerships that drive product volumes, brand recognition and shareholder value in the long-term," said Oren Shuster, CEO of IMC.

#### Expanding the German Distribution Platform

IMC has received the first commercial shipment of medical cannabis into Germany from its EU-GMP supply partner. The shipment has now been cleared by the German regulator and has been delivered to fulfill purchase commitments with ten distribution partners in Germany. These imports will be sold in Germany under the IMC brand.

IMC has also announced it has secured three new distribution agreements with additional partners in Germany that will sell IMC-branded cannabis (the "German Distribution Agreements"). All of the German Distribution Agreements include binding purchase commitments.

The German Distribution Agreements introduce the following distributors to IMC's existing German distribution network:

1. Cansativa GmbH ("Cansativa") - Cansativa was founded in 2017 and, through two EU-GMP and EU-GDP licensed facilities in Germany, it has sold over 50,000 units of medical cannabis products;
2. Ilios Sante GmbH ("Ilios") - Founded in 2018, Ilios is a EU-GDP certified wholesaler and importer of narcotics and pharmaceuticals, focusing on cannabinoids as an alternative medicine; and
3. Farmako GmbH ("Farmako") - Farmako is a pharmaceutical wholesale based in Frankfurt. It was been distributing medical cannabis in Germany since March 2019 and is licensed to begin distribution operation in the U.K. Farmako is a subsidiary of AgraFlora Organics International Inc. (CSE:AGRA).

Through Adjupharm, IMC has binding purchase commitments for the sale of a total of 1,525kg of medical cannabis in Germany under existing purchase commitments, 823kg of which is expected to be delivered in 2020, both not including the German Distribution Agreements. Purchase commitments under the German Distribution Agreements are expected in the near term.

#### **About IM Cannabis Corp.**

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As one of the world's medical cannabis pioneers, IMC partners with renowned academic institutions and scientists as well as allocates resources and investments for the development of innovative technologies to improve the lives and medical cannabis therapies outcomes of patients around the world.

#### ***Forward-Looking Information***

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Forward-looking information is based on assumptions that may prove to be incorrect, including but not limited to the ability of the Company to execute its business plan, the continued growth of the medical cannabis market in the countries in which the Company operates or intends to operate, the Company maintaining "de facto" control over Focus Medical in accordance with IFRS 10, Focus Medical maintaining its existing Israeli cultivation license and the expected decriminalization of cannabis in Israel. The Company considers these assumptions to be reasonable in the circumstances. However, forward-looking information is subject to known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements to differ materially from those expressed or implied in the forward-looking information. Such risks include, without limitation: the ability to resell imports to Germany under the IMC brand, the ability of the Company to comply with applicable government regulations in a highly regulated industry; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel, Germany, Portugal, Greece or any other foreign jurisdictions in which the Company operates or intends to operate; any failure of the Company to maintain "de facto" control over Focus Medical in accordance with IFRS 10; the Company and Focus Medical having to rely on third party cannabis producers to supply the Company and Focus Medical with product to successfully fulfill previously announced sales agreements, distribution agreements and purchase commitments; the risk that regulatory authorities in Israel may view the Company as the deemed owner of more than 5% of Focus Medical in contravention to Israeli rules restricting the ownership of Israeli cannabis cultivators and thereby jeopardizing Focus Medical's cannabis cultivation license; unexpected disruptions to the operations and businesses of the Company and/or Focus Medical as a result of the COVID-19 global pandemic or other disease outbreaks including in the event that Focus Medical were to lose its designation as an essential service in the State of Israel during the current COVID-19 outbreak; any unexpected failure of Focus Medical to renew its cultivation license with the Israeli Ministry of Health; reliance on management; inconsistent public opinion and perception regarding the use of cannabis; engaging in activities considered illegal under US federal law; political instability and conflict in the Middle East; adverse market conditions; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; currency fluctuations; competition; and loss of key management and/or employees.

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The forward-looking information contained herein are current as of the date of this press release. Except as required by law, the Company does not have any obligation to advise any person if it becomes aware of any inaccuracy in or omission from any forward-looking information, nor does it intend, or assume any obligation, to update or revise such forward-looking information to reflect new events or circumstances. Any and all forward-looking information included in this news release are expressly qualified by this cautionary statement, and except as otherwise indicated, are made as of the date of this press release.

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#### IM Cannabis Launches Sales of IMC-Branded Products in Germany, Adds to Pipeline of Purchase Agreements

- IMC has now completed shipments of its branded flower products to four of the Company's ten distribution partners, marking IMC's official brand launch in Germany
- Three additional purchase commitments executed with German distributors
- IMC now has binding purchase commitments for 1,615kg of medical cannabis

*\* Currency is in CAD\$ unless specified otherwise*

**Toronto, Canada; Gili Yam, Israel; and Bad Oldesloe, Germany - September 23, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), a multi-country operator in the medical cannabis sector with operations in Israel and across Europe, is pleased to announce the official launch of the IMC brand in Germany. The Company is also announcing three new purchase commitments signed by its German subsidiary, Adjupharm GmbH ("Adjupharm").

"The IMC brand has established a reputation for quality, consistency and purity in Israel for over a decade, and we are thrilled to bring this brand into Germany - Europe's largest market. Through continued execution forming our international network of suppliers and distribution partners, we are building the foundation for IMC as a global brand. As adoption of medical cannabis by patients and physicians grows in our core markets, the outlook for IMC has never been stronger," said Oren Shuster, CEO of IMC.

"The IMC team has done an excellent job securing distribution agreements with ten medical cannabis distributors in Germany. These partnerships will complement our internal sales team to maximize brand awareness among the medical community and leverage the reputation we have built in Israel. We continue to work very quickly to add to our product line and develop our distribution network to seize the significant market opportunity in the German market," said Richard Balla, CEO of Adjupharm.

#### Launch of the IMC Brand in Germany

Four distribution partners have now received shipments from IMC. The first IMC-branded product available to customers was the High THC T20/1 medical cannabis flower. As the pace of imports increases, the Company will be releasing additional flower SKUs.

IMC products are currently available to every pharmacy in Germany that is licensed to distribute narcotics and many pharmacies have placed orders with inventory on hand. In addition to sales through its distribution partners, Adjupharm has established a call center and a direct sales team to educate physicians on IMC-branded products.

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## New Purchase Commitments

Adjupharm has also received additional binding purchase commitments from three of its ten distribution partners in Germany. Through Adjupharm, IMC now has binding purchase commitments for the sale of a total of 1,615kg of medical cannabis in Germany under the IMC brand.

## About IM Cannabis Corp.

IMC (CSE: IMCC) is a multi-country operator (MCO) in the medical cannabis sector headquartered in Israel and with operations across Europe. Over the past decade, IMC has built its brand as a provider of premium medical cannabis products in the Israeli market. The Company has also expanded its business to offer intellectual property related services to the medical cannabis industry based on proprietary processes and technologies it developed for the production of medical cannabis.

In Europe, IMC operates through a German-based subsidiary and EU-GMP certified medical cannabis distributor - Adjupharm. IMC's European presence is also augmented by strategic alliances with various pan-European EU-GMP cultivators and distributors with the objective of capitalizing on the increased demand for medical cannabis products and bringing the IMC brand and its product portfolio to European patients.

As one of the world's medical cannabis pioneers, IMC partners with renowned academic institutions and scientists as well as allocates resources and investments for the development of innovative technologies to improve the lives and medical cannabis therapies outcomes of patients around the world.

## Forward-Looking Information

This press release contains forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "likely" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. Forward-looking information in this press release includes statements increasing adoption of medical cannabis in the Company's core markets, the Company adding additional flower SKUs, the timing and size of future imports into Germany, the strategic business plans of the Company and the expected delivery volumes under all previously announced sales and distributions agreements in Germany.

Forward-looking information is based on assumptions that may prove to be incorrect, including but not limited to the ability of the Company to execute its business plan, the continued growth of the medical cannabis market in the countries in which the Company operates or intends to operate, the Company maintaining "de facto" control over Focus Medical Herbs Ltd. ("Focus Medical") in accordance with IFRS 10, Focus Medical maintaining its existing Israeli cultivation license and the expected decriminalization of cannabis in Israel. The Company considers these assumptions to be reasonable in the circumstances. However, forward-looking information is subject to known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements to differ materially from those expressed or implied in the forward-looking information. Such risks include, without limitation: the ability of the Company to comply with applicable government regulations in a highly regulated industry; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel, Germany, Portugal, Greece or any other foreign jurisdictions in which the Company operates or intends to operate; any failure of the Company to maintain "de facto" control over Focus Medical in accordance with IFRS 10; the Company and Focus Medical having to rely on third party cannabis producers to supply the Company and Focus Medical with product to successfully fulfill previously announced sales agreements and purchase commitments; the risk that regulatory authorities in Israel may view the Company as the deemed owner of more than 5% of Focus Medical in contravention to Israeli rules restricting the ownership of Israeli cannabis cultivators and thereby jeopardizing Focus Medical's cannabis cultivation license; unexpected disruptions to the operations and businesses of the Company and/or Focus Medical as a result of the COVID-19 global pandemic or other disease outbreaks including in the event that Focus Medical were to lose its designation as an essential service in the State of Israel during the current COVID-19 outbreak; any unexpected failure of Focus Medical to renew its cultivation license with the Israeli Ministry of Health; reliance on management; inconsistent public opinion and perception regarding the use of cannabis; engaging in activities considered illegal under US federal law; political instability and conflict in the Middle East; adverse market conditions; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; currency fluctuations; competition; and loss of key management and/or employees.

The forward-looking information contained herein are current as of the date of this press release. Except as required by law, the Company does not have any obligation to advise any person if it becomes aware of any inaccuracy in or omission from any forward-looking information, nor does it intend, or assume any obligation, to update or revise such forward-looking information to reflect new events or circumstances. Any and all forward-looking information included in this news release are expressly qualified by this cautionary statement, and except as otherwise indicated, are made as of the date of this press release.

**For more information:**

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Date: October 02, 2020



510 Burrard St, 3rd Floor  
Vancouver BC, V6C 3B9  
[www.computershare.com](http://www.computershare.com)

To: All Canadian Securities Regulatory Authorities

**Subject: IM CANNABIS CORP.**

Dear Sir/Madam:

We advise of the following with respect to the upcoming Meeting of Security Holders for the subject Issuer:

Meeting Type :	Special Meeting
Record Date for Notice of Meeting :	October 28, 2020
Record Date for Voting (if applicable) :	October 28, 2020
Beneficial Ownership Determination Date :	October 28, 2020
Meeting Date :	December 09, 2020
Meeting Location (if available) :	Toronto, ON
Issuer sending proxy related materials directly to NOBO:	Yes
Issuer paying for delivery to OBO:	No

**Notice and Access (NAA) Requirements:**

NAA for Beneficial Holders	No
NAA for Registered Holders	No

**Voting Security Details:**

<b>Description</b>	<b>CUSIP Number</b>	<b>ISIN</b>
COMMON	44969Q109	CA44969Q1090

Sincerely,

**Computershar**

Agent for IM CANNABIS CORP.

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#### Israeli Ministry of Health Opens International Export Market for Israeli Medical Cannabis Producers

- Israeli Ministry of Health announced that it will begin accepting applications for a medical cannabis export Pilot Program
- IMC well positioned to leverage German EU-GMP certified subsidiary under the export Pilot Program to distribute IMC-branded medical cannabis product imports across Europe

**Toronto, Canada; Glil Yam, Israel - October 6, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), a multi-country operator ("MCO") in the medical cannabis sector with operations in Israel and across Europe, is pleased to announce that the Israeli Ministry of Health has launched a new pilot program in which medical cannabis producers will be authorized to export medical cannabis, subject to making certain products available to patients in Israel at a fixed price of NIS14 per gram (CAD\$5.50 per gram) and NIS10 (CAD\$4.00 per gram) for patients over 21 years old and under 21 years old, respectively (the "Pilot Program"). The medical cannabis products that will be made available under the Pilot Program are at the Company's discretion. The Pilot Program is planned for an initial period of three months. IMC-branded products will be available for immediate application of export permits.

IMC operates in Germany through Adjupharm GmbH ("Adjupharm"), an EU-GMP and EU-GDP certified medical cannabis distributor. Adjupharm is currently making shipments to its network of ten distribution partners with IMC-branded products available in pharmacies across Germany. With seven cultivators currently producing IMC-branded products in Israel, an export market will allow the Company to bolster the supply of cannabis for its operation in Germany and across Europe, supporting the rapidly increasing demand in these markets and the Company's international distribution platform.

**Oren Shuster, Chief Executive Officer of IMC** commented, "We are very supportive of the Israeli Ministry of Health's program to open the market for medical cannabis exports. We have made tremendous progress establishing our supply and distribution platform for IMC-branded products in both Israel and Germany. The ability for licensed producers to export from Israel will significantly strengthen our international supply capabilities as we continue to execute our goal of global leadership for IMC-branded medical cannabis."

#### About IM Cannabis Corp.

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In Europe, IMC operates through a German-based subsidiary and EU-GMP certified medical cannabis distributor - Adjupharm GmbH. IMC's European presence is also augmented by strategic alliances with various pan-European EU-GMP cultivators and distributors with the objective of capitalizing on the increased demand for medical cannabis products and bringing the IMC brand and its product portfolio to European patients.

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As one of the world's medical cannabis pioneers, IMC partners with renowned academic institutions and scientists as well as allocates resources and investments for the development of innovative technologies to improve the lives and medical cannabis therapies outcomes of patients around the world.

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Forward-looking information is based on assumptions that may prove to be incorrect, including but not limited to the ability of the Company to execute its business plan, the continued growth of the medical cannabis market in the countries in which the Company operates or intends to operate, the Company maintaining "de facto" control over Focus Medical Herbs Ltd. ("Focus Medical") in accordance with IFRS 10, Focus Medical in accordance with IFRS 10, Focus Medical maintaining its existing Israeli cultivation license and the expected decriminalization of cannabis in Israel. The Company considers these assumptions to be reasonable in the circumstances. However, forward-looking information is subject to business and economic risks and uncertainties and other factors that could cause actual results of operations to differ materially from those expressed or implied in the forward-looking information. Such risks include, without limitation: the ability of the Company to comply with applicable government regulations in a highly regulated industry; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel, Germany, Portugal, Greece or any other foreign jurisdictions in which the Company intends to operate; any failure of the Company to maintain "de facto" control over Focus Medical in accordance with IFRS 10; the Company and Focus Medical having to rely on third party cannabis producers to supply the Company and Focus Medical with product to successfully fulfill previously announced sales agreements and purchase commitments; the ability of Focus Medical to deliver on its sales commitments; the risk that regulatory authorities in Israel may view the Company as the deemed owner of more than 5% of Focus Medical in contravention to Israeli rules restricting the ownership of Israeli cannabis cultivators and thereby jeopardizing Focus Medical's cannabis cultivation license; unexpected disruptions to the operations and businesses of the Company and/or Focus Medical as a result of the COVID-19 global pandemic or other disease outbreaks including in the event that Focus Medical were to lose its designation as an essential service in the State of Israel during the current COVID-19 outbreak; any unexpected failure of Focus Medical to renew its cultivation license with the Israeli Ministry of Health; reliance on management; inconsistent public opinion and perception regarding the use of cannabis; engaging in activities considered illegal under US federal law; failure to meet U.S. stock exchange listing requirements; failure to obtain effectiveness of a registration statement filed with the U.S. Securities and Exchange Commission; political instability and conflict in the Middle East; adverse market conditions; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; crop failures; litigation; currency fluctuations; competition; and loss of key management and/or employees. The Company does not undertake any obligation to update forward-looking statements except as required by applicable securities laws. Investors should not place undue reliance on forward-looking statements.

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**For more information:**

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#### IM Cannabis Accelerates Sales in Germany, Reaching Adjusted EBITDA Profitability

- Shipments made to seven distribution partners in Germany
- German operations and growing sales by Focus Medical create inflection point to positive adjusted EBITDA profitability beginning in September 2020
- IMC Netherlands has submitted its application to the Dutch government's controlled cannabis supply chain experiment

*\* Currency is in CAD\$ unless specified otherwise*

**Toronto, Canada; Gili Yam, Israel; and Bad Oldesloe, Germany - October 7, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), a multi-country operator in the medical cannabis sector with operations in Israel and across Europe, is pleased to provide an update on its international operations.

"Our pace of execution gained significant momentum in the third quarter. Our distribution platforms in both Israel and Germany are fully established. In Israel, we are seeing rapid growth in deliveries of IMC-branded products by Focus Medical under its pharmacy sales agreements. In Germany, we have begun delivering under our binding distribution agreements and are seeing IMC-branded medical cannabis in pharmacies across the country. Now that we have made the necessary investments in our infrastructure, we expect shareholders will see the financial results of our long-term value creation strategy having reached adjusted EBITDA profitability in September 2020," said Oren Shuster, CEO of IMC.

#### Growing German Platform with IMC Brand Launch

Adjupharm GmbH ("Adjupharm") made significant progress building its German distribution channels during the third quarter of 2020. Adjupharm added seven distribution partners to distribute and sell IMC-branded products to German pharmacies. In order to fulfill demand from its distribution partners, Adjupharm has begun importing medical cannabis from its EU-GMP supply partner.

Adjupharm delivered its first shipment of IMC-branded medical cannabis to a distribution partner in September. To date, Adjupharm has now made shipments to seven of its ten distribution partners. IMC-branded products are available across Germany to pharmacies licensed to sell narcotics, and the Adjupharm sales team and call center are rapidly developing a physician education program.

Through Adjupharm, IMC currently has binding commitments for the sale and delivery of a total of 1,615kg of medical cannabis in Germany under the IMC brand to its ten distribution partners.

#### IMC Netherlands Established to Expand International Operation

IMC recently established with a local Dutch partner, IMC- Holland B.V. ("IMC Netherlands") and submitted its application to participate in the Dutch government's controlled cannabis supply chain experiment. IMC Netherlands is 60%-owned by IMC, with the remaining 40% owned by a group of four individuals with expertise in the Dutch cannabis market.

Between July 1, 2020 and July 28, 2020, the Dutch government accepted applications from cannabis growers to participate in a controlled supply chain experiment. Between five to ten growers will be selected by the Dutch Minister of Healthcare and the Minister of Justice and Security. Successful applicants will become the exclusive cannabis suppliers to all the coffee shops in the ten Dutch municipalities participating in the experiment. The first phase of the experiment will last four years.

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IMC has submitted its application through IMC Netherlands and has received confirmation that its application has been properly submitted. The application proposes a facility that will produce 4,500kg of cannabis annually, with final products including flower, hash and pre-rolls. Successful applicants are expected to be announced within six months.

### **Executing in Israel**

In the third quarter of 2020, Focus Medical Herbs Ltd. ("Focus Medical") signed a supply agreement with Ever Green Solomon Pharma Ltd ("Ever Green") to purchase all of the medical cannabis produced by Ever Green for a period of five years with an option for Focus Medical to extend the term an additional five years, for a total potential term of up to ten years. With this agreement, Focus Medical has secured the supply necessary to fulfill its delivery obligations under its pharmacy sales agreements.

The Israeli market continues to grow rapidly. Data recently published by the Israeli Medical Cannabis Association indicates that there are currently over 71,000 medical cannabis patients in Israel, which represents over 100% growth in the last two years. The Israeli market is unique in that black market prices are higher than medical cannabis prices with a prescription, driving demand for medical use of cannabis.

### **Financial Trajectory Rising Rapidly**

With the launch of sales and an expected acceleration in Adjupharm's shipments to distribution partners in Germany, as well as increased shipments by Focus Medical to its pharmacy customers, IMC reached an inflection point to adjusted EBITDA profitability in September 2020. Investments into the operating infrastructure in Germany, including sales, marketing, and personnel, were the primary drivers of the adjusted EBITDA loss. With Germany now generating contribution margin and rising revenue in Israel, the Company has achieved profitability as measured by adjusted EBITDA, in line with Company targets.

As of September 30, 2020, IMC had a cash balance of approximately \$10.0 million, and no debt.

### **About IM Cannabis Corp.**

IMC (CSE: IMCC) is a multi-country operator (MCO) in the medical cannabis sector headquartered in Israel and with operations across Europe. Over the past decade, IMC has built its brand as a provider of premium medical cannabis products in the Israeli market. The Company has also expanded its business to offer intellectual property related services to the medical cannabis industry based on proprietary processes and technologies it developed for the production of medical cannabis.

In Europe, IMC operates through a German-based subsidiary and EU-GMP certified medical cannabis distributor - Adjupharm. IMC's European presence is also augmented by strategic alliances with various pan-European EU-GMP cultivators and distributors with the objective of capitalizing on the increased demand for medical cannabis products and bringing the IMC brand and its product portfolio to European patients.

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### ***Forward-Looking Information and Non-IFRS Measures***

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Forward-looking information is based on assumptions that may prove to be incorrect, including but not limited to the ability of the Company to execute its business plan, the continued growth of the medical cannabis market in the countries in which the Company operates or intends to operate, the Company maintaining "de facto" control over Focus Medical Herbs Ltd. ("Focus Medical") in accordance with IFRS 10, Focus Medical maintaining its existing Israeli cultivation license and the expected decriminalization of cannabis in Israel. The Company considers these assumptions to be reasonable in the circumstances. However, forward-looking information is subject to known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements to differ materially from those expressed or implied in the forward-looking information. Such risks include, without limitation: the ability of the Company to comply with applicable government regulations in a highly regulated industry; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel, Germany, Portugal, Greece or any other foreign jurisdictions in which the Company operates or intends to operate; any failure of the Company to maintain "de facto" control over Focus Medical in accordance with IFRS 10; the Company and Focus Medical having to rely on third party cannabis producers to supply the Company and Focus Medical with product to successfully fulfill previously announced sales agreements and purchase commitments; the risk that regulatory authorities in Israel may view the Company as the deemed owner of more than 5% of Focus Medical in contravention to Israeli rules restricting the ownership of Israeli cannabis cultivators and thereby jeopardizing Focus Medical's cannabis cultivation license; unexpected disruptions to the operations and businesses of the Company and/or Focus Medical as a result of the COVID-19 global pandemic or other disease outbreaks including in the event that Focus Medical were to lose its designation as an essential service in the State of Israel during the current COVID-19 outbreak; any unexpected failure of Focus Medical to renew its cultivation license with the Israeli Ministry of Health; reliance on management; inconsistent public opinion and perception regarding the use of cannabis; engaging in activities considered illegal under US federal law; political instability and conflict in the Middle East; adverse market conditions; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; currency fluctuations; competition; and loss of key management and/or employees.

This news release includes reference to "gross margin" and "adjusted EBITDA", which are non-International Financial Reporting Standards ("IFRS") financial measures. Non-IFRS measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. The Company 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 most directly comparable IFRS measure presented by the Company in its financial statements would be gross profit before fair value adjustments divided by revenue. The Company defines EBITDA as income earned or lost from its consolidated operations including Adjupharm, 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, revaluation adjustments of financial assets and liabilities measured on a fair value basis. EBITDA and adjusted EBITDA have no direct comparable IFRS financial measures. The Company has used or included these non-IFRS measures solely to provide investors with added insight into IMC's financial performance. Readers are cautioned that such non-IFRS measure may not be appropriate for any other purpose. Non-IFRS measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

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**For more information:**

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## IMC Applies to List its Common Shares on the NASDAQ Capital Market

**Toronto, Canada; Glil Yam, Israel - October 8, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), a multi-country operator ("MCO") in the medical cannabis sector with operations in Israel and across Europe, is pleased to announce that it has applied to list its common shares (the "Common Shares") on the NASDAQ Capital Market ("NASDAQ") under the trading symbol "IMCC". The Common Shares of the Company will continue to be listed on the Canadian Securities Exchange under the same trading symbol.

A successful listing on the NASDAQ will allow the Company to broaden its exposure through the world's largest capital market as part of the Company's growth strategy. The listing will provide current investors with additional liquidity and prospective investors with better access to one of the leading international cannabis companies.

**Oren Shuster, Chief Executive Officer of IMC** commented, "IMC's international platform is growing rapidly, and recognition of the IMC medical cannabis brand in our core markets of Israel and Germany is very strong. As we continue to build our global footprint, we are implementing a capital markets strategy that compliments our international operations."

**Marc Lustig, Chairman of IMC** added, "As IMC continues to scale, it is imperative to have access to the largest capital market in the world. The NASDAQ in particular has a deep base of constituents in the healthcare and technology sectors that align very strongly with IMC's core strategy of being a global leader in medical cannabis by providing high quality products for its patients through investing in research and development as well as product innovation."

Listing on the NASDAQ will be subject to satisfaction of all applicable listing and regulatory requirements, including registration of the Common Shares with the U.S. Securities and Exchange Commission, and NASDAQ requirements and approvals. Following receipt of all required approvals, the Company will issue a press release announcing its first trading date on the NASDAQ.

### About IM Cannabis Corp.

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## IMC Welcomes Israeli Government Action Towards Legalization of Recreational Cannabis

- Legalization, if approved, is expected to result in an acceleration of growth in the Israeli recreational cannabis market as current black market consumers will gain legal access

**Toronto, Canada; Gil Yam, Israel - November 16, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), a multi-country operator ("MCO") in the medical cannabis sector with operations in Israel and across Europe, is pleased to announce that an Israeli government committee responsible for advancing cannabis market reform published a report concluding that it supports and recommends the legalization of adult-use recreational cannabis in the State of Israel (the "Report"). Based on the Report, the Israeli Ministry of Justice is expected to formulate a bill to begin the legislative process towards the legalization of adult-use recreational cannabis.

The government committee made its recommendation for legalization based on the increasing demand for recreational cannabis in Israel, the importance of maintaining quality standards and limiting uncontrolled products, the need for increased access to cannabis by medical patients and decreasing the size of the illegal market. The model proposed by the government committee in the Report is similar in nature to the model adopted in Canada, whereby government-licensed dispensaries will be established for the sale of recreational cannabis.

**Oren Shuster, Chief Executive Officer of IMC** commented, "The cannabis market in Israel is unique with an estimated 27% of the population consuming recreational cannabis<sup>1</sup> at black market pricing between 2 to 3 times higher than pricing in the medical market. Due to these two factors, once legalization of recreational cannabis occurs, it is expected to create much more affordable options for consumers currently purchasing in the black market and, consequently, the proportion of consumers who will switch from black market recreational cannabis to legal recreational cannabis is expected to increase significantly. With five licensed producers in Israel producing IMC-branded medical cannabis, IMC remains in an excellent position to capitalize in the event of a legalized recreational cannabis market as its medical cannabis products continue to enjoy a long-standing reputation for quality, consistency and purity."

### About IM Cannabis Corp.

IMC is an MCO in the medical cannabis sector headquartered in Israel and with operations across Europe. Over the past decade, IMC has built its brand as a provider of premium medical cannabis products in the Israeli market. The Company has also expanded its business to offer intellectual property related services to the medical cannabis industry based on proprietary processes and technologies it developed for the production of medical cannabis.

In Europe, IMC operates through a German-based subsidiary and EU-GMP certified medical cannabis distributor - Adjupharm GmbH. IMC's European presence is also augmented by strategic alliances with various pan-European EU-GMP cultivators and distributors with the objective of capitalizing on the increased demand for medical cannabis products in Europe and bringing the IMC brand and its product portfolio to European patients.

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<sup>1</sup> Based on a research conducted in 2016 by the Israel Anti-Drug Authority.

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IMC partners with renowned academic institutions and scientists as well as allocates resources and investments for the development of innovative technologies to improve the lives and medical cannabis therapies outcomes of patients around the world.

***Disclaimer for Forward-Looking Statements***

This press release contains "forward-looking information" and "forward-looking statements" (together, "forward-looking statements") within the meaning of applicable Canadian and United States securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "likely" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. Forward-looking information in this press release includes statements relating the nature and timing of the Israeli Ministry of Justice formulating a bill to begin the legislative process towards the legalization of adult-use recreational cannabis in Israel, to the nature of recreational cannabis reform in Israel, expectations for the affordability and adoption of legal recreational cannabis by Israeli consumers, the growth of the legal recreational cannabis market in Israel, IMC's brand position in the medical cannabis market in Israel and the Company's strategic plans.

Forward-looking information is based on assumptions that may prove to be incorrect, including but not limited to the ability of the Company to execute its business plan, the continued growth of the medical cannabis market in the countries in which the Company operates or intends to operate, the Company maintaining "de facto" control over Focus Medical Herbs Ltd. ("Focus Medical") in accordance with IFRS 10, Focus Medical maintaining its existing Israeli cultivation license and the expected decriminalization of recreational cannabis in Israel. The Company considers these assumptions to be reasonable in the circumstances. However, forward-looking information is subject to business and economic risks and uncertainties and other factors that could cause actual results of operations to differ materially from those expressed or implied in the forward-looking information. Such risks include, without limitation: the Israeli government deciding to delay or abandon the decriminalization of recreational cannabis; the bill relating to the decriminalization of recreational cannabis in Israel being rejected by Israeli parliament; any change in the political environment which would negatively affect the decriminalization of recreational cannabis in Israel; the ability of the Company to comply with applicable government regulations in a highly regulated industry; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel, Germany, Portugal, Greece or any other foreign jurisdictions in which the Company intends to operate; any failure of the Company to maintain "de facto" control over Focus Medical in accordance with IFRS 10; the Company and Focus Medical having to rely on third party cannabis producers to supply the Company and Focus Medical with product to successfully fulfill previously announced sales agreements and purchase commitments; the ability of Focus Medical to deliver on its sales commitments; the risk that regulatory authorities in Israel may view the Company as the deemed owner of more than 5% of Focus Medical in contravention to Israeli rules restricting the ownership of Israeli cannabis cultivators and thereby jeopardizing Focus Medical's cannabis cultivation license; unexpected disruptions to the operations and businesses of the Company and/or Focus Medical as a result of the COVID-19 global pandemic or other disease outbreaks including in the event that Focus Medical were to lose its designation as an essential service in the State of Israel during the current COVID-19 outbreak; any unexpected failure of Focus Medical to renew its cultivation license with the Israeli Ministry of Health; reliance on management; inconsistent public opinion and perception regarding the use of cannabis; political instability and conflict in the Middle East; adverse market conditions; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; crop failures; litigation; currency fluctuations; competition; and loss of key management and/or employees. The Company does not undertake any obligation to update forward-looking statements except as required by applicable securities laws. Investors should not place undue reliance on forward-looking statements.

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**For more information:**

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# IM CANNABIS CORP.



8th Floor, 100 University Avenue  
Toronto, Ontario M5J 2Y1  
www.computershare.com

Security Class

Holder Account Number

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## Form of Proxy - Special Meeting to be held on Wednesday, December 16, 2020

### This Form of Proxy is solicited by and on behalf of Management.

#### Notes to proxy

1. Every holder has the right to appoint some other person or company of their choice, who need not be a holder, to attend and act on their behalf at the meeting or any adjournment or postponement thereof. If you wish to appoint a person or company other than the persons whose names are printed herein, please insert the name of your chosen proxyholder in the space provided (see reverse).
2. If the securities are registered in the name of more than one owner (for example, joint ownership, trustees, executors, etc.), then all those registered should sign this proxy. If you are voting on behalf of a corporation or another individual you must sign this proxy with signing capacity stated, and you may be required to provide documentation evidencing your power to sign this proxy.
3. This proxy should be signed in the exact manner as the name(s) appear(s) on the proxy.
4. If this proxy is not dated, it will be deemed to bear the date on which it is mailed by Management to the holder.
5. The securities represented by this proxy will be voted as directed by the holder, however, if such a direction is not made in respect of any matter, this proxy will be voted as recommended by Management.
6. The securities represented by this proxy will be voted in favour or withheld from voting or voted against each of the matters described herein, as applicable, in accordance with the instructions of the holder, on any ballot that may be called for and, if the holder has specified a choice with respect to any matter to be acted on, the securities will be voted accordingly.
7. This proxy confers discretionary authority in respect of amendments or variations to matters identified in the Notice of Meeting or other matters that may properly come before the meeting or any adjournment or postponement thereof.
8. This proxy should be read in conjunction with the accompanying documentation provided by Management.

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Proxies submitted must be received by 10:00 am, Toronto time, on Monday, December 14, 2020.

### VOTE USING THE TELEPHONE OR INTERNET 24 HOURS A DAY 7 DAYS A WEEK!



#### To Vote Using the Telephone

- Call the number listed BELOW from a touch tone telephone.

**1-866-732-VOTE (8683) Toll Free**



#### To Vote Using the Internet

- Go to the following web site:  
[www.investorvote.com](http://www.investorvote.com)
- Smartphone?  
Scan the QR code to vote now.



**If you vote by telephone or the Internet, DO NOT mail back this proxy.**

**Voting by mail** may be the only method for securities held in the name of a corporation or securities being voted on behalf of another individual.

**Voting by mail or by Internet** are the only methods by which a holder may appoint a person as proxyholder other than the Management nominees named on the reverse of this proxy. Instead of mailing this proxy, you may choose one of the two voting methods outlined above to vote this proxy.

To vote by telephone or the Internet, you will need to provide your **CONTROL NUMBER** listed below.

**CONTROL NUMBER**



## Appointment of Proxyholder

I/We being holder(s) of IM Cannabis Corp. hereby appoint(s): Oren Shuster, Chief Executive Officer and Director, or failing him, Steven Mintz, Director, or failing him, Peter Simeon, Legal Counsel, or failing him, Marc Lustig, Chairman and Director

OR

Print the name of the person you are appointing if this person is someone other than the Chairman of the Meeting.

as my/our proxyholder with full power of substitution and to attend, act and to vote for and on behalf of the shareholder in accordance with the following direction (or if no directions have been given, as the proxyholder sees fit) and all other matters that may properly come before the Special Meeting of shareholders of IM Cannabis Corp. to be held at the Holiday Inn Oakville, 590 Argus Road Oakville, Ontario L6J 6G6 on Wednesday, December 16, 2020 at 10:00 am, Toronto time and at any adjournment or postponement thereof.

VOTING RECOMMENDATIONS ARE INDICATED BY **HIGHLIGHTED TEXT** OVER THE BOXES.

For

### 1. Approval of Share Consolidation

To consider and, if thought fit, approve, with or without variation, a special resolution, the full text of which is set out in the accompanying management information circular prepared for the purposes of the Meeting (the "Circular"), approving a consolidation of all of the issued and outstanding common shares of the Company at a ratio of between three (3) and eight (8) pre-consolidation common shares for every one post-consolidation share, as and when determined by the Board.

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For

### 2. Approval of Amended and Restated Stock Option Plan

To consider, and if thought fit, approve, with or without variation, an ordinary resolution, the full text of which is set out in the Circular, approving the Company's amended and restated stock option plan.

For

### 3. Approval of Restricted Share Unit Plan

To consider, and if thought fit, approve, with or without variation, an ordinary resolution, the full text of which is set out in the Circular, approving the Company's restricted share unit plan.

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**Authorized Signature(s) - This section must be completed for your instructions to be executed.**

Signature(s)

Date

I/We authorize you to act in accordance with my/our instructions set out above. I/We hereby revoke any proxy previously given with respect to the Meeting. If no voting instructions are indicated above, this Proxy will be voted as recommended by Management.

**DD / MM / YY**



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**IM CANNABIS CORP.**

**Notice of Special Meeting of Shareholders  
December 16, 2020**

Notice is hereby given that a special meeting (the "**Meeting**") of the holders of common shares of **IM CANNABIS CORP.** (the "**Company**") will be held at the Holiday Inn Oakville, located at 590 Argus Road, Oakville, Ontario L6J 6G6 on Wednesday, December 16, 2020 at 10:00 a.m. (Toronto time) for the following purposes:

- (1) to consider and, if thought fit, to pass, with or without variation, a special resolution approving a consolidation of all of the issued and outstanding common shares of the Company at a ratio of between three (3) and eight (8) pre-consolidation common shares for every one (1) post-consolidation common share, as and when determined by the board of directors of the Company;
- (2) to consider, and if deemed appropriate, pass, with or without variation, an ordinary resolution approving the Company's amended and restated stock option plan;
- (3) to consider, and, if deemed appropriate, to pass, with or without variation, an ordinary resolution approving the Company's restricted share unit plan; and
- (4) to transact such other business as may be properly brought before the Meeting or any postponement or adjournment thereof.

The specific details of the foregoing matters to be put before the Meeting are set forth in the management information circular ("**Circular**") accompanying this Notice of Meeting.

Shareholders are invited to attend the Meeting. *Registered shareholders* who are unable to attend the Meeting in person are requested to read the Circular and the form of proxy which accompanies this notice and to complete, sign, date and deliver the form of proxy, together with the power of attorney or other authority, if any, under which it was signed (or a notarially certified copy thereof) to the Company's transfer agent, Computershare Investor Services Inc. ("**Computershare**"), 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1. *Non-registered shareholders* who receive the Circular and form of proxy through an intermediary must deliver the voting form provided in accordance with the instructions given by such intermediary. To be effective, proxies must be received by Computershare not later than December 14, 2020 at 10:00 a.m. (Toronto time), or in the case of any adjournment of the Meeting not later than 48 hours prior to the Meeting, excluding Saturdays, Sundays and holidays, or any adjournment thereof.

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## IMPORTANT

With respect to the current COVID-19 outbreak, the Company asks that, in considering whether to attend the Meeting in person, shareholders follow the instructions of the Public Health Agency of Canada:

(<https://www.canada.ca/en/public-health/services/diseases/coronavirus-disease-covid-19.html>).

The Company strongly encourages shareholders not to attend the Meeting in person and instead to vote their shares by proxy. Any person who is experiencing any of the described COVID-19 symptoms of fever, cough or difficulty breathing or has travelled in the 14 days prior to the Meeting will not be permitted entry into the Meeting. The Company may take additional precautionary measures in relation to the Meeting in response to further developments in the COVID-19 outbreak in its sole discretion.

**SHAREHOLDERS MAY JOIN THE MEETING VIRTUALLY BY ZOOM IN A NON-VOTING CAPACITY AT:**

By videoconference: <https://gowlingwlga.zoom.us/j/96836275916?pwd=UJTT2tSckVJdGI3NWYrT0FldTh5dz09>

Password: 809429 By Phone:

Canada: +1 647 558 0588, +1 778 907 2071, +1 204 272 7920, +1 438 809 7799, +1 855 703 8985

(toll-free)

US: +1 646 876 9923, +1 669 900 6833, +1 253 215 8782, +1 301 715 8592, +1 312 626 6799, +1

346 248 7799

Meeting ID: 968 3627 5916

Password: 809429

International dial-in numbers: <https://gowlingwlga.zoom.us/j/abmEQdqE2W>

### **DISCLAIMER**

ANY PERSON WHO ATTENDS THE MEETING IN PERSON DOES SO AT HIS OR HER OWN RISK AND BY ATTENDING THE MEETING IN PERSON, SUCH PERSON ACKNOWLEDGES AND AGREES THAT THE COMPANY AND THE DIRECTORS, OFFICERS AND AGENTS THEREOF ARE NOT LIABLE TO THE PERSON FOR ANY ILLNESSES OR OTHER ADVERSE REACTIONS THAT MAY RESULT FROM SUCH PERSON'S ATTENDANCE AT THE MEETING. ANY PERSON WHO ATTEMPTS TO ENTER THE MEETING BUT IS DENIED ENTRY ACKNOWLEDGES AND AGREES THAT HE, SHE OR IT SHALL HAVE NO CLAIM AGAINST THE COMPANY OR ITS, DIRECTORS OFFICERS OR AGENTS FOR SUCH DENIAL OF ENTRY INTO THE MEETING.

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Despite the foregoing, it is desirable that as many common shares as possible be represented at the Meeting. If you do not expect to attend in person and would like your common shares represented, please complete the enclosed instrument of proxy and return it as soon as possible in the envelope provided for that purpose. To be valid, all instruments of proxy must be deposited at the office of the registrar and transfer agent of the Company, Computershare, at its principal office at 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 not later than forty-eight (48) hours, excluding Saturdays, Sundays and holidays, prior to the time of the Meeting or any postponement or adjournment thereof.

DATED the 12<sup>th</sup> day of November, 2020.

By Order of the Board of Directors

(signed) "Oren Shuster"

**OREN SHUSTER,  
CHIEF EXECUTIVE OFFICER AND DIRECTOR**

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Computershare +

## Interim Financial Statements

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### Annual Financial Statements

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Financial Statements Request Form

## Fluoride

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### Estimate Maximum

### Saved Money

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Postal Code / Zip Code



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## CONCLUSIONS

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**IM CANNABIS CORP.**

**SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON WEDNESDAY, DECEMBER 16, 2020**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS  
AND  
MANAGEMENT INFORMATION CIRCULAR**

**DATED November 12, 2020**

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*This management information circular and the accompanying materials require your immediate attention. If you are in doubt as to how to deal with these documents or the matters to which they refer, please consult your financial, legal, tax or other professional advisor.*

**IM CANNABIS CORP.**

**Notice of Special Meeting of Shareholders  
December 16, 2020**

Notice is hereby given that a special meeting (the "**Meeting**") of the holders of common shares of **IM CANNABIS CORP.** (the "**Company**") will be held at the Holiday Inn Oakville, located at 590 Argus Road, Oakville, Ontario L6J 6G6 on Wednesday, December 16, 2020 at 10:00 a.m. (Torontotime) for the following purposes:

- (1) to consider and, if thought fit, to pass, with or without variation, a special resolution approving a consolidation of all of the issued and outstanding common shares of the Company at a ratio of between three (3) and eight (8) pre-consolidation common shares for every one (1) post-consolidation common share, as and when determined by the board of directors of the Company;
- (2) to consider, and if deemed appropriate, pass, with or without variation, an ordinary resolution approving the Company's amended and restated stock option plan;
- (3) to consider, and, if deemed appropriate, to pass, with or without variation, an ordinary resolution approving the Company's restricted share unit plan; and
- (4) to transact such other business as may be properly brought before the Meeting or any postponement or adjournment thereof.

The specific details of the foregoing matters to be put before the Meeting are set forth in the management information circular ("**Circular**") accompanying this Notice of Meeting.

Shareholders are invited to attend the Meeting. *Registered shareholders* who are unable to attend the Meeting in person are requested to read the Circular and the form of proxy which accompanies this notice and to complete, sign, date and deliver the form of proxy, together with the power of attorney or other authority, if any, under which it was signed (or a notarially certified copy thereof) to the Company's transfer agent, Computershare Investor Services Inc. ("**Computershare**"), 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1. *Non-registered shareholders* who receive the Circular and form of proxy through an intermediary must deliver the voting form provided in accordance with the instructions given by such intermediary. To be effective, proxies must be received by Computershare not later than December 14, 2020 at 10:00 a.m. (Toronto time), or in the case of any adjournment of the Meeting not later than 48 hours prior to the Meeting, excluding Saturdays, Sundays and holidays, or any adjournment thereof.

**IMPORTANT**

With respect to the current COVID-19 outbreak, the Company asks that, in considering whether to attend the Meeting in person, shareholders follow the instructions of the Public Health Agency of Canada:  
(<https://www.canada.ca/en/public-health/services/diseases/coronavirus-disease-covid-19.html>).

The Company strongly encourages shareholders not to attend the Meeting in person and instead to vote their shares by proxy. Any person who is experiencing any of the described COVID-19 symptoms of fever, cough or difficulty breathing or has travelled in the 14 days prior to the Meeting will not be permitted entry into the Meeting. The Company may take additional precautionary measures in relation to the Meeting in response to further developments in the COVID-19 outbreak in its sole discretion.

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<https://gowlingwlga.zoom.us/j/96836275916?pwd=ULJTT2tScKvJdGI3NWYrT0FldTh5dz09>

**Password: 809429**

**By Phone:**

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**US:** +1 646 876 9923, +1 669 900 6833, +1 253 215 8782, +1 301 715 8592, +1 312 626 6799, +1 346 248 7799

**Meeting ID: 968 3627 5916**

**Password: 809429**

**International dial-in numbers:** <https://gowlingwlga.zoom.us/u/abmEQdqE2W>

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Despite the foregoing, it is desirable that as many common shares as possible be represented at the Meeting. If you do not expect to attend in person and would like your common shares represented, please complete the enclosed instrument of proxy and return it as soon as possible in the envelope provided for that purpose. To be valid, all instruments of proxy must be deposited at the office of the registrar and transfer agent of the Company, Computershare, at its principal office at 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 not later than forty-eight (48) hours, excluding Saturdays, Sundays and holidays, prior to the time of the Meeting or any postponement or adjournment thereof.

DATED the 12<sup>th</sup> day of November, 2020.

By Order of the Board of Directors

(signed) "Oren Shuster"

**OREN SHUSTER,  
CHIEF EXECUTIVE OFFICER AND DIRECTOR**

IM CANNABIS CORP.

Management Information Circular  
for the Special Meeting of Shareholders  
December 16, 2020

PROXIES

Solicitation of Proxies

This Management Information Circular (the "Circular") is furnished in connection with the solicitation, by or on behalf of the management of IM Cannabis Corp. (the "Company"), of proxies to be used at the Company's special meeting of the holders of common shares (the "Common Shares" or "Shares") to be held at 10:00 a.m. (Toronto time) on Wednesday, December 16, 2020 (the "Meeting") or at any adjournment thereof. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally, by advertisement or by telephone, by directors, officers or employees of the Company without special compensation, or by the Company's transfer agent, Computershare Investor Services Inc. ("Computershare") at nominal cost. The cost of solicitation will be borne by the Company.

Appointment of Proxyholder

The person(s) designated by management of the Company in the enclosed form of proxy are directors or officers of the Company. **Each shareholder has the right to appoint as proxyholder a person or company (who need not be a shareholder of the Company) other than the person(s) or company(ies) designated by management of the Company in the enclosed form of proxy to attend and act on the shareholder's behalf at the Meeting or at any adjournment thereof.** Such right may be exercised by inserting the name of the person or company in the blank space provided in the enclosed form of proxy or by completing another form of proxy.

Registered shareholders who are unable to attend the Meeting in person are requested to read the Circular and the form of proxy which accompanies the Notice of Special Meeting of Shareholders (the "Notice of Meeting") and to complete, sign, date and deliver the form of proxy, together with the power of attorney or other authority, if any, under which it was signed (or a notarially certified copy thereof) to the Company's transfer agent, Computershare Investor Services Inc., 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, or by fax at 1-866-249-7775 (North America) / 1-416-263-9524 (International), Attention: Proxy Department. *Non-registered shareholders* who receive the Circular and form of proxy through an intermediary must deliver the proxy in accordance with the instructions given by such intermediary. To be effective, proxies must be received by Computershare not later than Monday, December 14, 2020 at 10:00 a.m. (Toronto time), or in the case of any adjournment of the Meeting not later than 48 hours prior to the meeting, excluding Saturdays, Sundays and holidays, or any adjournment thereof.

Revocation of Proxy

A shareholder who has given a form of proxy may revoke it as to any matter on which a vote has not already been held pursuant to its authority by an instrument in writing executed by the shareholder or by the shareholder's attorney duly authorized in writing or, if the shareholder is a corporation, by an officer or attorney thereof duly authorized and deposited at either the above mentioned office of Computershare by no later than 48 hours prior to the Meeting, excluding Saturdays, Sundays and holidays, or any adjournment or postponement thereof, or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof. Notwithstanding the foregoing, if a registered shareholder attends personally at the Meeting, such shareholder may revoke the proxy and vote in person.

## Voting of Proxies

On any ballot that may be called for, the Common Shares represented by a properly executed proxy given in favour of the person(s) designated by management of the Company in the enclosed form of proxy will be voted or withheld from voting in accordance with the instructions given on the form of proxy, and if the shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the accompanying Notice of Meeting and with respect to other matters which may properly come before the Meeting or any adjournment thereof. As of the date of this Circular, management of the Company is not aware of any such amendment, variation or other matter to come before the Meeting. However, if any amendments or variations to matters identified in the accompanying Notice of Meeting or any other matters which are not now known to management should properly come before the Meeting or any adjournment thereof, the Common Shares represented by properly executed proxies given in favour of the person(s) designated by management of the Company in the enclosed form of proxy will be voted on such matters pursuant to such discretionary authority.

## Advice to Beneficial Shareholders

**The information set forth in this section is of importance to many shareholders, as a substantial number of shareholders do not hold Common Shares in their own name** In many cases, Common Shares beneficially owned by a holder (a "**Beneficial Holder**") are registered either (a) in the name of an intermediary that the Beneficial Holder deals with in respect of the Common Shares. Intermediaries include banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans, or (b) in the name of a depository (such as Clearing and Depository Services Inc. or "**CDS**"). Beneficial Holders should note that only proxies deposited by shareholders who are registered shareholders (that is, shareholders whose names appear on the records maintained by the registrar and transfer agent for the Common Shares as registered holders of Common Shares) will be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Beneficial Holder by a broker, those Common Shares will, in all likelihood, not be registered in the shareholder's name. Such Common Shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS, which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers (or their agents or nominees) on behalf of a broker's client can only be voted at the direction of the Beneficial Holder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker's clients. **Therefore, each Beneficial Holder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy requires brokers and other intermediaries to forward meeting materials to Beneficial Holders, unless the Beneficial Holder has waived the right to receive them, and seek voting instructions from Beneficial Holders in advance of shareholders' meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Holders in order to ensure that their Common Shares are voted at the Meeting.

The voting instruction form supplied to such Beneficial Holders by their broker (or the agent of the broker) is substantially similar to the form of proxy provided directly to registered shareholders by the Company. However, its purpose is limited to instructing the registered shareholder (i.e., the broker or agent of the broker) on how to vote on behalf of the Beneficial Holder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**") in Canada. Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Holders and asks Beneficial Holders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Holder who receives a Broadridge voting instruction form cannot use that form to vote Common Shares directly at the Meeting. The voting instruction forms must be returned to Broadridge (or instructions respecting the voting of Common Shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the Common Shares voted. If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

Although a Beneficial Holder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his or her broker, CDS & Co. or another intermediary, the Beneficial Holder may attend the Meeting as proxyholder and vote the Common Shares in that capacity. **Beneficial Holders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder, should enter their own names in the blank space on the voting instruction form provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.**

Beneficial Holders fall into two categories - those who object to their identity being known to the issuers of securities which they own ("**OBOs**") and those who do not object to their identity being made known to the issuers of the securities which they own ("**NOBOs**"). Subject to the provisions of National Instrument 54-101, issuers may request and obtain a list of their NOBOs from intermediaries directly or via their transfer agent and may obtain and use the NOBO list for the distribution of proxy-related materials to such NOBOs. If you are a NOBO and the Company or Computershare has sent the meeting materials directly to you, your name, address and information about your holdings of Common Shares have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding the Common Shares on your behalf. The Company's OBOs can expect to be contacted by their respective intermediaries. The Company does not intend to pay for intermediaries to deliver the meeting materials to OBOs.

All references to shareholders in this Circular and the accompanying form of proxy and Notice of Meeting are to registered shareholders unless specifically stated otherwise.

## VOTING SHARES

### Voting Shares

As at the close of business on October 28, 2020, the Company had 158,676,378 Common Shares outstanding, each carrying the right to one vote per share. Except as otherwise noted in this Circular, a simple majority of the votes cast at the Meeting, whether in person, by proxy or otherwise, will constitute approval of any matter submitted to a vote. The persons named in the accompanying form of proxy will vote the Common Shares in respect of which they are appointed in accordance with the direction of the shareholder appointing them. **In the absence of such direction, those Common Shares will be voted in favour of ("FOR") all resolutions.**

### Record Date

The board of directors of the Company (the **"Board of Directors"** or the **"Board"**) has fixed October 28, 2020 as the record date (the **"Record Date"**) for the purpose of determining holders of Common Shares entitled to receive notice of and to vote at the Meeting. Any holder of Common Shares of record at the close of business on the Record Date is entitled to vote the Common Shares registered in such shareholder's name at that date on each matter to be acted upon at the Meeting.

### Principal Shareholders

To the knowledge of the directors and executive officers of the Company, as at the date of this Circular, no person beneficially owned, directly or indirectly, or exercised control or direction over 10% or more of the voting rights attached to the outstanding Common Shares of the Company except as stated below.

Name	Aggregate Number of Common Shares	Percentage of Outstanding Common Shares
Oren Shuster	36,534,409	23.01%
Rafael Gabay	32,564,279	20.52%

## MATTERS TO BE ACTED UPON AT MEETING

### 1. Approval of Consolidation

Shareholders are being asked to consider and, if thought advisable, to approve the special resolution set out herein (the **"Consolidation Resolution"**) a consolidation (the **"Share Consolidation"**) of all of the issued and outstanding Common Shares at a ratio of between three (3) and eight (8) pre-consolidation Common Shares for every one post-consolidation Common Share, as may be determined by the Board in its sole discretion (the **"Consolidation Ratio"**). Approval of the Consolidation Resolution by shareholders would give the Board the authority to implement the Share Consolidation and determine the exact Consolidation Ratio, in its sole discretion, at any time within one year of the date of shareholder approval of the Consolidation Resolution. The full text of the Consolidation Resolution approving the proposed Share Consolidation is set out below.

Although shareholder approval for the Share Consolidation is being sought at the Meeting, the Share Consolidation would become effective at a date in the future, if and when the Board of Directors considers it to be in the best interest of the Company to implement the Share Consolidation. Notwithstanding the approval of the proposed Share Consolidation by shareholders, the Board, in its sole discretion, may revoke the Consolidation Resolution and abandon the Share Consolidation without further approval by or prior notice to shareholders.

#### *Reasons for the Share Consolidation*

The Board believes that it is in the best interests of the Company to have the authority to implement the Share Consolidation for the following reasons:

- (1) *Greater investor interest* - a higher post-consolidation Common Share price could help generate interest in the Company among investors. A higher anticipated Common Share price may: (i) meet investing guidelines for certain institutional investors and investment funds that are currently prevented under their investing guidelines from investing in the Common Shares at current price levels; and (ii) allow investors to leverage their investment by meeting margin eligibility requirements;
- (2) *Potential listing on a more senior stock exchange* - a higher post-consolidation Common Share price could help the Company meet the initial listing requirements of more senior stock exchanges in Canada or national stock exchanges in the United States (each, a "**Senior Stock Exchange**") in the event that the Company determines to pursue such a listing. The Company believes that a listing on a Senior Stock Exchange may provide enhanced visibility, access to institutional and retail investors and overall trading liquidity. On October 8, 2020, the Company announced that it had filed to list the Common Shares for trading on the Nasdaq;
- (3) *Reduction of shareholder transaction costs* - shareholders may benefit from relatively lower trading costs associated with a higher Common Share price. In circumstances where commissions are based on the number of Common Shares traded, investors pay lower commissions to trade a fixed value of Common Shares where the per Common Share price is higher; and
- (4) *Improved liquidity* - the combination of increased interest from investors, a potential listing on a Senior Stock Exchange and potentially lower transaction costs could ultimately improve the trading liquidity of the Common Shares.

There can be no assurance that any increase in the market price per Common Share or improved liquidity would result from the proposed Share Consolidation, that the Company will submit an application for listing on any Senior Stock Exchange or, if an application is made, that the Company will be successful at achieving such a listing.

#### *Certain Risks Associated with the Share Consolidation*

Certain risks associated with the Share Consolidation are as follows:

The Company's total market capitalization immediately after the proposed Share Consolidation may be lower than immediately before the proposed Share Consolidation

There are numerous factors and contingencies that could affect the Common Share price prior to or following the Share Consolidation, including the status of the market for the Common Shares at the time, the status of the Company's reported financial results in future periods, and general economic, geopolitical, stock market and industry conditions. Accordingly, the market price of the Common Shares may not be sustainable at the direct arithmetic result of the Share Consolidation and may be lower.

A decline in the market price of the Common Shares after the Share Consolidation may result in a greater percentage decline than would occur in the absence of a consolidation, and liquidity could be adversely affected following such consolidation

If the Share Consolidation is implemented and the market price of the Common Shares declines, the percentage decline may be greater than would occur in the absence of the Share Consolidation. The market price of the Common Shares will, however, also be based on the Company's performance and other factors, which are unrelated to the number of Common Shares outstanding.

While the Board believes that a higher Common Share price may provide the benefits described above, the Share Consolidation may not result in a Common Share price that will attract institutional investors or investment funds and may not be sufficient to list the Common Shares on a Senior Stock Exchange. As a result, the liquidity of the Common Shares may not improve.

Furthermore, the liquidity of the Common Shares could be adversely affected by the reduced number of Common Shares that would be outstanding after the Share Consolidation.

The Share Consolidation may result in some shareholders owning "odd lots" of less than 100 Common Shares on a post-consolidation basis, which may be more difficult to sell, or require greater transaction costs per Common Share to sell

The Share Consolidation may result in some shareholders owning "odd lots" of less than 100 Common Shares on a post-consolidation basis. "Odd lots" may be more difficult to sell, or require greater transaction costs per Common Share to sell, than Common Shares held in "board lots" of even multiples of 100 Common Shares.

#### *Principal Effects of the Share Consolidation*

The principal effects of the Share Consolidation would be:

- (1) *Reduction in number of Common Shares outstanding* - the number of Common Shares issued and outstanding will be reduced from 158,715,103 (as of the date of this Circular) to between approximately 19,839,387 and 52,905,034, depending on the Consolidation Ratio selected by the Board; and
- (2) *Adjustments to outstanding options and warrants* - the exercise price and the number of Common Shares issuable under the Company's outstanding options (the "**Options**") and warrants will be proportionately adjusted, based on the Consolidation Ratio selected by the Board, with any fraction rounded down to the nearest whole number.

The Board believes that shareholder approval of a range of potential Consolidation Ratios (rather than a single Consolidation Ratio) would provide the Board with maximum flexibility to react to then-current market conditions and achieve the desired results of the Share Consolidation. If the Consolidation Resolution is approved, the Share Consolidation would be implemented, if at all, only upon a determination by the Board that it is in the best interests of the Company at that time. In connection with any determination to implement the Share Consolidation, the Board will set the timing for such Share Consolidation and select the specific Consolidation Ratio from within the range of ratios set forth in the Consolidation Resolution, subject to receipt of all necessary regulatory approvals. The Board's selection of the specific ratio would be based primarily on the price level of the Common Shares at that time and the expected stability of that price level. No further action on the part of shareholders would be required in order for the Board to implement the Share Consolidation.

If approved and implemented, the Share Consolidation will occur simultaneously for all the Common Shares and the Consolidation Ratio will be the same for all the Common Shares. Except for any variances attributable to fractional shares, the change in the number of issued and outstanding Common Shares that will result from the Share Consolidation will cause no change in the capital attributable to the Common Shares and will not materially affect any shareholder's percentage ownership in the Company, even though such ownership will be represented by smaller number of Common Shares.

In addition, the Share Consolidation will not materially affect any shareholder's proportionate voting rights. Each Common Share outstanding after the Share Consolidation will be fully paid and non-assessable and will entitle the holder to one vote per Common Share.

The Share Consolidation is subject to regulatory approval and compliance with the policies of the Canadian Securities Exchange ("CSE"). As a condition to the approval of the consolidation of Common Shares listed for trading on the CSE, the policies of the CSE require, among other things, that a CSE listed issuer must not effect a share consolidation which reduces the number of public holders (as defined under CSE policies) holding at least a board lot to less than 100.

If the Board does not implement the Share Consolidation within one year from the date of shareholder approval of the Consolidation Resolution, the authority granted by the Consolidation Resolution to implement the Share Consolidation on these terms would lapse and be of no further force or effect. The Consolidation Resolution also authorizes the Board to elect not to proceed with, and abandon, the Share Consolidation at any time if it determines, in its sole discretion, to do so. No further approval by or prior notice to shareholders would be required in order for the Board to abandon the Share Consolidation.

#### *Effect on Outstanding Common Shares*

If the proposed Share Consolidation is approved by shareholders and implemented, registered shareholders will be required to surrender their pre-consolidation Common Shares for post-consolidation Common Shares. Following the announcement by the Company of the Consolidation Ratio selected by the Board and the effective date of the Share Consolidation, registered shareholders will be provided with a letter of transmittal by the Company's transfer agent to be used for the purpose of surrendering their pre-Share Consolidation Common Shares to the transfer agent in exchange for post-Share Consolidation Common Shares. After the effective date of the Share Consolidation, share certificates or DRS statements, as applicable, representing pre-consolidation Common Shares will: (i) not constitute good delivery for the purposes of trades of post-Share Consolidation Common Shares; and (ii) be deemed for all purposes to represent the number of Common Shares to which the shareholder is entitled as a result of the Share Consolidation. No delivery of a new share certificate or DRS statement, as applicable, to a shareholder will be made until the shareholder surrenders the documentation representing its pre-Share Consolidation Common Shares along with the letter of transmittal to the registrar and transfer agent of the Company in the manner detailed therein.



*Effect on Non-Registered Holders*

Non-registered holders holding their Common Shares through a bank, broker or other nominee should note that such banks, brokers or other nominees may have specific procedures for processing the Share Consolidation. If you hold your Common Shares with such a bank, broker or other nominee and if you have any questions in this regard, you are encouraged to contact your nominee.

*No Fractional Shares to be Issued*

No fractional Common Shares will be issued in connection with the Share Consolidation and, in the event that a shareholder would otherwise be entitled to receive a fractional Common Share upon the Share Consolidation, such fraction will be rounded down to the nearest whole number with no additional consideration.

*No Dissent Rights*

Under the BCBCA, shareholders do not have dissent and appraisal rights with respect to the proposed Share Consolidation.

*Shareholder Approval of Consolidation Resolution*

At the Meeting, shareholders will be asked to pass the Consolidation Resolution in the following form:

**"BE IT RESOLVED, as a special resolution, that:**

- (1) upon CSE approval, the authorized share structure of the Company is altered by consolidating all of the issued and fully paid Common Shares without par value on the basis of a consolidation ratio to be selected by the Company's board of directors (the "**Board of Directors**"), in its sole discretion, provided that (i) the ratio may be no smaller than one post-consolidation share for every three (3) pre-consolidation shares and no larger than one post-consolidation share for every eight (8) pre-consolidation shares, and (ii) the number of pre-consolidation shares in the ratio must be a whole number of Common Shares (the "**Consolidation Ratio**"), on such date and time the Board of Directors may determine within one year of the date hereof;
- (2) in the event that the consolidation would otherwise result in the issuance of a fractional share, no fractional share shall be issued and such fraction will be rounded down to the nearest whole number with no additional consideration; and
- (3) the Board of Directors are hereby authorized to determine the Consolidation Ratio within the parameters prescribed in 1(a) above;
- (4) any officer or director of the Company is hereby authorized for and on behalf of the Company to execute, deliver and file all such documents, whether under the corporate seal of the Company or otherwise, and to do and perform all such acts or things as may be necessary or desirable in order to give effect to the foregoing special resolution, including, without limitation, the determination of the effective date of the consolidation and applying for CSE approval, the execution, delivery or filing of any such document or the doing of any such act or thing being conclusive evidence of such determination; and

(5) notwithstanding the foregoing, the directors of the Company are hereby authorized, without further approval of or notice to the shareholders of the Company, to revoke this special resolution at any time."

The foregoing special resolution must be approved by not less than two-thirds of the votes cast at the Meeting by the holders of Common Shares voting in person or by proxy.

**The Board believes the passing of the above resolution is in the best interests of the Company and recommends that the holders of Common Shares vote FOR the Consolidation Resolution. Unless otherwise directed, it is the intention of the persons designated in the enclosed form of proxy to vote FOR the Consolidation Resolution.**

## **2. Approval of the Amended and Restated Stock Option Plan**

At the Meeting, shareholders of the Company will be asked to consider and, if thought appropriate, pass an ordinary resolution in the form set out below, approving an amended and restated incentive stock option plan (the "**Amended and Restated Stock Option Plan**"). Options are exercisable for Common Shares.

The purpose of the Amended and Restated Stock Option Plan is to provide an incentive to eligible persons to acquire a proprietary interest in the Company, to continue their participation in the affairs of the Company and to increase their efforts on behalf of the Company. In proposing the Amended and Restated Stock Option Plan, the Board considered its goal of attracting and retaining key personnel given the limited cash flow of the Company to fund compensation programs.

A summary of the material terms of the Amended and Restated Stock Option Plan is set forth below.

- **Eligible Persons.** The directors, executive officers, employees, consultants and management company employees of the Company or any affiliate of the Company are eligible to participate in the Amended and Restated Stock Option Plan (each an "**Eligible Person**"). For the purposes of this Circular, each of the foregoing to whom an Option has been granted will be an **Optionee**".
- **Rolling Plan.** The Amended and Restated Stock Option Plan is a 10% rolling plan, such that the aggregate number of Common Shares that may be issued pursuant to the Amended and Restated Stock Option Plan will not exceed 10% of the issued and outstanding Common Shares at any given time and from time to time, less the number of Common Shares issuable pursuant to all other security based compensation arrangements, including, for greater certainty, the RSU Plan (as defined below).
- **Vesting.** The vesting of the Options is determined by the Board at the time of grant, except in the case of an Optionee performing investor relations activities, in which case the Amended and Restated Stock Option Plan requires the Options to vest over a minimum of 12 months with no more than one quarter of such Options vesting during any three month period. Options will vest immediately in the absence of a vesting schedule being specified at the time of grant. Where applicable, vesting of Options will generally be subject to an Optionee remaining employed by or continuing to provide services to the Company or a related entity.

- **Exercise Price.** The exercise price of an Option is determined by the Board, provided that such price will not be lower than the greater of the closing price of the Common Shares on the CSE on: (i) the trading day immediately prior to the date of grant; and (ii) the date of grant.
- **Term of Options.** The term of an Option is determined by the Board, in its discretion, provided that no such term will exceed a maximum of 10 years from the date of grant.
- **Limitations.** The Amended and Restated Stock Option Plan includes the following additional limitations:
  - the maximum number of Common Shares reserved for issuance to any one person, in a 12 month period, pursuant to the Amended and Restated Stock Option Plan and any other security based compensation agreements of the Company is 5% of the total number of Common Shares then outstanding;
  - the maximum number of Common Shares reserved for issuance to insiders (as a group), at any time, pursuant to the Amended and Restated Stock Option Plan and any other security based compensation arrangement of the Company is 10% of the total number of Common Shares then outstanding;
  - the maximum number of Options available for grant to all investor relations persons, within any 12 month period, pursuant to the Amended and Restated Stock Option Plan and any other security based compensation arrangements of the Company is 1% of the total number of Common Shares then outstanding; and
  - the maximum number of Common Shares reserved for issuance to any one consultant, in a 12 month period, pursuant to the Amended and Restated Stock Option Plan and any other security based compensation arrangements of the Company is 2% of the total number of Common Shares then outstanding.
- **Termination of Options.** Options granted under the Amended and Restated Stock Option Plan will terminate on the earliest of the following dates:
  - the expiration date of the Option;
  - the end of the period of time that the Board determines, in each instance, that an Optionee may exercise an Option after Optionee is no longer an Eligible Person, up to a maximum of six months;
  - the date an Optionee is terminated for cause and is no longer an Eligible Person;
  - one year after an Optionee becomes disabled and is no longer an Eligible Person; or
  - one year after the death of an Optionee. No additional options will vest after an Optionee ceases to be an Eligible Person.

- **Blackout Periods.** Optionees will be prohibited from exercising Options during a blackout period or if the Optionee is in possession of any material non-public information concerning the Company. If the expiration date of an Option would otherwise fall within a blackout period, then the expiration date of an Option can be extended to no later than ten (10) business days after the expiry of the blackout period unless the extension of such Option would exceed the 10 year period from the date of grant.
- **Assignability and Transferability.** Options are non-transferable and non-assignable.
- **Amendments subject to shareholder approval.** Annual shareholder approval will not be required for the Amended and Restated Stock Option Plan. However, shareholder approval will be required for any of the following amendments to the Amended and Restated Stock Option Plan:
  - increasing the aggregate number of Common Shares which may be issued under the Amended and Restated Stock Option Plan;
  - materially modifying the requirements as to the eligibility for participation in the Amended and Restated Stock Option Plan which would have the potential of broadening or increasing insider participation;
  - adding any form of financial assistance or any amendment to a financial assistance provision which is more favourable to participants under the Amended and Restated Stock Option Plan; and
  - materially increasing the benefits accruing to participants under the Amended and Restated Stock Option Plan.
- **Amendments not subject to shareholder approval.** Shareholder approval will not be required for any of the following amendments to the Amended and Restated Stock Option Plan:
  - amendments of a housekeeping nature;
  - changing the vesting provisions of an Option or the Amended and Restated Stock Option Plan; and
  - changing the termination provisions of an Option or the Amended and Restated Stock Option Plan which does not entail an extension beyond the original expiry date.
- **Cashless Exercise Feature.** The Amended and Restated Stock Option Plan provides for a cashless exercise feature which will allow an Optionee to exercise its vested Options without paying the exercise price in cash, and in return, the Company will deliver the number of Common Shares to such Optionee equal to the value of the Options that are in-the-money (i.e. the "market price" less the exercise price of the respective Options).
- **Change of Control.** In the event of a change of control, any surviving, successor or acquiring entity will assume any outstanding Options or will substitute the outstanding Options with similar securities. If the surviving, successor or acquiring entity does not assume the outstanding Options or substitute the outstanding Options with similar securities, the Company may notify all Optionees that the Amended and Restated Stock Option Plan is to be terminated effective immediately prior to the change of control and all outstanding Options will be deemed to vest prior to the termination date of the Amended and Restated Stock Option Plan.

- **Israeli Optionees.** The Amended and Restated Stock Option Plan includes provisions to comply with applicable Israeli tax laws.
- **U.S. Optionees.** The Amended and Restated Stock Option Plan includes provisions to comply with applicable U.S. tax and securities laws.

Regardless of whether or not the Amended and Restated Stock Option Plan is approved, all Options currently outstanding under the Company's existing stock option plan will remain in effect in accordance with their terms. As of the date of this Circular, there are 12,887,750 Options to purchase 12,887,750 Common Shares currently issued and outstanding.

A copy of the Amended and Restated Stock Option Plan may be obtained by a shareholder upon request to the Company at its head office.

At the Meeting, shareholders will be asked to pass an ordinary resolution approving the Amended and Restated Stock Option Plan (the **'Option Plan Resolution'**) in the following form.

**"BE IT HEREBY RESOLVED** as an ordinary resolution that

- (1) the amended and restated stock option plan of the Company as described in the management information circular dated November 12, 2020 be and is hereby authorized and approved; and
- (2) any one director or officer of the Company is authorized and directed, on behalf of the Company, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Company or otherwise) that may be necessary or desirable to give effect to this ordinary resolution."

The foregoing ordinary resolution must be approved by a majority of the votes cast at the Meeting by the holders of Common Shares voting in person or by proxy and by a majority of disinterested shareholders represented at the Meeting in person or by proxy. To the knowledge of the Company, a total of 71,605,368 Common Shares (being approximately 45.11% of the issued and outstanding Common Shares) are held by shareholders who are considered interested by virtue of being insiders of the Company and who hold Options or may be granted Options...

**The Board of Directors believes the passing of the above resolution is in the best interests of the Company and recommends that the holders of Common Shares and disinterested shareholders vote FOR the resolution. Unless otherwise directed, it is the intention of the persons designated in the enclosed form of proxy to vote FOR the Option Plan Resolution.**

### **3. Approval of RSU Plan**

At the Meeting, shareholders of the Company will be asked to consider and, if thought appropriate, pass an ordinary resolution in the form set out below, approving a new restricted share unit plan for the Company (the **"RSU Plan"**). In proposing the RSU Plan, the Board considered its goal of attracting and retaining key personnel given the limited cash flow of the Company to fund compensation programs. Accordingly, the RSU Plan is intended to supplement the Amended and Restated Stock Option Plan by providing the Board with an alternative to issuing Options, if in the future, it determines that a full value share plan provides an attractive form of long-term incentive for key personnel provided that the aggregate Common Share issuances under the Amended and Restated Stock Option Plan and RSU Plan combined does not exceed 10% of the Common Shares issued and outstanding (on a rolling basis).

The purpose of this RSU Plan is to provide a financial incentive for eligible participants to devote their best efforts to the long-term success of the Company's business, by aligning such participants' financial interests with those of the Company, to assist the Company in attracting and retaining individuals with top-level talent, passion and ability and to ensure that the total compensation provided to eligible participants is at competitive levels.

A summary of the material terms of the RSU Plan is set forth below.

- **Participants.** The Board of Directors or a committee delegated by the Board of Directors under the RSU Plan such as the Board's compensation committee (the **Committee**) may grant restricted share units ("**RSUs**") to eligible employees, directors and consultants of the Company or an affiliate of the Company (the **RSU Participants**"), with consideration given to the present and potential contributions of and the services rendered by the RSU Participant to the success of the Company and any other factors which the Committee deems appropriate or relevant.
- **Rolling Plan.** The RSU Plan is a 10% rolling plan, such that the aggregate number of Common Shares that may be issued pursuant to the RSU Plan will not exceed 10% of the issued and outstanding Common Shares at any given time and from time to time, less the number of Common Shares issuable pursuant to all other security based compensation arrangements, including, for greater certainty, the Amended and Restated Stock Option Plan.
- **Vesting.** Each RSU will vest in such manner as determined by the Board of Directors or the Committee at the time of grant.
- **Settlement of RSUs.** On the vesting date, the Company at its sole and absolute discretion, will have the option of settling the RSUs in Common Shares to be issued from the treasury of the Company or cash, or a combination of both.
- **Limitations.** The RSU Plan includes the following additional limitations:
  - the maximum number of Common Shares reserved for issuance under RSUs granted to any one person, in a 12 month period, pursuant to the RSU Plan and any other security based compensation agreements of the Company is 5% of the total number of Common Shares then outstanding;
  - the maximum number of Common Shares reserved for issuance under RSUs granted to insiders (as a group), at any time, pursuant to the RSU Plan and any other security based compensation arrangement of the Company is 10% of the total number of Common Shares then outstanding; and

- the maximum number of RSUs available for grant to all investor relations persons, within any 12 month period, pursuant to the RSU Plan and any other security based compensation arrangements of the Company is 1% of the total number of Common Shares then outstanding.
- **Termination of an RSU Participant.** If the employment or services of the RSU Participant are terminated before all of the awards respecting RSUs credited to the RSU Participant's account have vested, for any reason other than death, disability, termination without cause or resignation for good reason, then, except as provided for in the RSU grant letter or as determined by the Committee in its sole discretion, all unvested RSUs will be forfeited by the participant, and be of no further force and effect as of the date of termination.
- **Termination without cause or resignation of an RSU Participant.** The Committee determines, in its discretion, what portion of an RSU Participant's unvested RSUs will be permitted to vest as of the date of the RSU Participant's termination without cause or resignation for good reason.
- **Death of an RSU Participant.** The Committee, in its discretion, will determine what portion of a RSU Participant's unvested RSUs will be permitted to vest as of the date of the RSU Participant's death.
- **Disability of an RSU Participant.** The Committee, in its discretion, will determine what portion of a RSU Participant's unvested RSUs will be permitted to vest as of the date on which the RSU Participant is determined to be totally disabled.
- **Change of Control.** In the event of a change of control, if within 12 months the Company terminates the employment or services of an RSU Participant for any reason other than for cause, then all RSUs outstanding prior to the event that triggered the change of control will immediately vest on the date of termination regardless of the stated vesting period.
- **Blackout Periods.** In the event the vesting of RSUs occurs during or within 48 hours of a blackout period, the RSUs will be settled on the business day immediately following the end of the blackout period or within 48 hours, as applicable.
- **Assignability and Transferability.** Except as otherwise may be expressly provided for under the RSU Plan or pursuant to a will or by the laws of descent and distribution, no RSU and no other right or interest of an RSU Participant is assignable or transferable, and any such assignment or transfer in violation of the RSU Plan will be null and void.
- **Amendments subject to shareholder approval.** The Board of Directors or the Committee may, subject to receipt of requisite regulatory and shareholder approval, make the following amendments to the RSU Plan:
  - amendments to increase the maximum number of Common Shares issuable pursuant to the RSU Plan;
  - amendments to the definition of "Participant" under the RSU Plan;
  - amendments to cancel and reissue RSUs;
  - amendments to the amendment provisions of the RSU Plan;

- amendments to extend the term of an RSU;
- amendments to the participant limits as set out in the RSU Plan; or
- amendments that would permit RSUs, or any other right or interest of an RSU Participant under the RSU Plan, to be assigned or transferred, other than for normal estate settlement purposes.
- **Amendments not subject to shareholder approval.** The Board of Directors or the Committee may, subject to receipt of requisite regulatory approval, where required, but not subject to shareholder approval, in its sole discretion make all other amendments to the RSU Plan that are not of the type contemplated above, including, without limitation:
  - amendments of a housekeeping nature;
  - amendments to the vesting provisions of an RSU or the RSU Plan;
  - amendments to the definitions, other than such definition note above;
  - amendments to reflect changes to applicable securities laws; and
  - amendments to ensure that the RSUs granted under the RSU Plan will comply with any provisions respecting income tax and other laws in force in any country or jurisdiction of which an RSU Participant to whom an RSU has been granted may from time to time be a resident, citizen or otherwise subject to tax therein.
- **Israeli RSU Participants.** The RSU Plan includes provisions to comply with applicable Israeli tax laws.
- **U.S. RSU Participants.** The RSU Plan includes provisions to comply with applicable U.S. tax and securities laws.

A copy of the RSU Plan may be obtained by a shareholder upon request to the Company at its head office.

At the Meeting, shareholders will be asked to pass an ordinary resolution approving the RSU Plan (the **RSU Plan Resolution**) in the following form:

**"BE IT HEREBY RESOLVED** as an ordinary resolution that

- (1) the Company's RSU Plan be and is hereby authorized and approved;
- (2) the Board of Directors be authorized on behalf of the Company to make any amendments to the form of RSU Plan presented hereunder as may be required by the regulatory authorities, without further approval of the shareholders of the Company, in order to ensure adoption of the RSU Plan; and
- (3) any director or officer of the Company is authorized and directed to do or to cause to be done all such other acts and things as in the opinion of such director or officer of the Company may be necessary or desirable in order to fulfill the intent of this resolution."



The foregoing ordinary resolution must be approved by a majority of the votes cast at the Meeting by the holders of Common Shares voting in person or by proxy.

**The Board of Directors believes the passing of the above resolution is in the best interests of the Company and recommends that the holders of Common Shares vote FOR the RSU Plan Resolution. Unless otherwise indicated, it is the intention of the persons designated in the enclosed form of proxy to vote FOR the RSU Plan Resolution.**

#### **4. Other Business**

The directors and officers of the Company are not aware of any matters, other than those indicated in this Circular, which may be submitted to the Meeting for action. However, if any other matters should properly be brought before the Meeting, the enclosed form of proxy confers discretionary authority to vote on such other matters according to the best judgment of the person holding the proxy at the Meeting.

#### **EQUITY COMPENSATION PLAN INFORMATION**

No option-based or share-based awards were granted, vested or earned during the year ended December 31, 2019.

The following table sets out information concerning the number and price of securities to be issued under equity compensation plans to employees and others as at December 31, 2019.

<b>Plan Category</b>	<b>Number of Securities to be Issued upon Exercise of Options, Warrants and Rights</b>	<b>Weighted - Average Exercise Price of Outstanding Options, Warrants and Rights</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a))</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
<b>Equity Compensation Plans Approved by Securityholders</b>	11,760,000	\$0.40	2,814,328
<b>Equity Compensation Plans Not Approved by Securityholders</b>	Nil	N/A	Nil
<b>Total</b>	11,760,000	\$0.40	2,814,328

#### **INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than as disclosed below, no director or officer of the Company, nor any other insider of the Company, nor any associate or affiliate of any one of them, has or has had, at any time since the beginning of the financial period ended December 31, 2019, any material interest, direct or indirect, in any transaction or proposed transaction that has materially affected or would materially affect the Company.

Messrs. Oren Shuster, Marc Lustig, Steven Mintz, Shai Shemesh, Ms. Yael Harrosh and Mr. Rafael Gabay (collectively, the "**RTO Informed Persons**") had a material interest in the Company's reverse takeover transaction (the "**RTO Transaction**") with I.M.C. Holdings Ltd. ("**IMC**") that closed on October 11, 2019.

The RTO Transaction was effected by way of a "triangular merger" between the Company, IMC and a wholly-owned subsidiary of the Company pursuant to Israeli statutory law. In connection with the closing of the RTO Transaction, the Company consolidated its then-outstanding Common Shares on a 1:2.83 basis, changed its name to "IM Cannabis Corp." and changed its business from mining to the medical cannabis industry.

At closing of the RTO Transaction, the Board of Directors of the Company was reconstituted to consist of Messrs. Shuster, Mintz, Lustig and Kaplan, with Mr. Shuster also acting as Chief Executive Officer, and Mr. Lustig acting as Non-Executive Chairman. Mr. Shemesh was appointed Chief Financial Officer, Mr. Goldstein was appointed Chief Operating Officer and Ms. Harrosh was appointed Corporate Secretary. Mr. Gabay became an insider of the Company by virtue of owning more than 10% of the Company's outstanding Common Shares.

As part of the RTO Transaction, the Company, through a wholly-owned subsidiary, completed a private placement of 19,460,527 subscription receipts each consisting of one common share and one-half of one common share purchase warrant (the "**Subscription Receipts**") for aggregate proceeds of \$20,433,553.35 (the "**2019 Financing**"). Upon closing of the RTO Transaction, the Subscription Receipts were exchanged on a 1:1 basis for Common Shares and common share purchase warrants ("**Warrants**") of the Company. A total of 19,460,527 Common Shares and 9,730,258 Warrants were issued pursuant to the 2019 Financing and converted into Common Shares and Warrants upon completion of the RTO Transaction.

At completion of the RTO Transaction, former holders of IMC ordinary shares held approximately 84.28% of the issued and outstanding Common Shares, former holders of Subscription Receipts from the 2019 Financing held approximately 13.35% of the Common Shares and pre-RTO Transaction shareholders held 2.37% of the Common Shares, in each case, on a non-diluted basis. As at the closing of the RTO Transaction, the RTO Informed Persons held the following securities of the Company:

Name and Municipality of Residence	Position with Company	Number and Percentage of Common Shares Owned, Beneficially Held or Controlled at closing of the RTO Transaction <sup>(1)(2)</sup>
Oren Shuster	Chief Executive Officer and Director	36,534,409 (25.07%)
Shai Shemesh	Chief Financial Officer	47,619 (<1%)
Yael Harrosh	Corporate Secretary	Nil
Steven Mintz	Director	791,348 (<1%)
Marc Lustig	Non-Executive Chairman and Director	1,575,213 (1.08%)
Rafael Gabay	Insider	32,558,139 (22.34%)

(1) Calculated based on 145,743,283 Common Shares issued and outstanding.

(2) Does not include the 37,879,467 Common Shares issuable on the exercise of outstanding Options, Warrants and compensation options.

On November 5, 2019, the Common Shares commenced trading on the CSE under the ticker "IMCC".

Further details pertaining to the RTO Transaction and the 2019 Financing are disclosed in the Company's listing statement filed on November 1, 2019 and in the Company's news releases dated September 3, 2019, October 4, 2019, October 8, 2019, October 9, 2019, October 11, 2019, November 1, 2019 and November 5, 2019.

#### **AUDITOR**

The Company's auditor is Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global (the "**Auditor**"), located at 144 Menachem Begin Road, Building A, Tel-Aviv 6492102, Israel. The Auditor was first appointed on January 16, 2020.

#### **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

Other than as disclosed in this Circular, no person who has been a director or officer of the Company at any time since the beginning of the Company's most recently completed financial year, nor any associate or affiliate of any of them, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information about the Company is provided in the Company's comparative annual financial statements and MD&A for its most recently completed financial year.

Shareholders of the Company may request copies of the Company's financial statements and MD&A by contacting the Chief Financial Officer of the Company, Shai Shemesh, at +972-54-4331111.

#### **OTHER MATERIAL FACTS**

Management knows of no other matters to come before the Meeting other than those referred to in the Notice of Meeting. Should any other matters properly come before the Meeting, the Common Shares represented by the proxy solicited hereby will be voted on such matter in accordance with the best judgment of the persons voting by proxy.

\* \* \* \* \*

**Form 52-109FV2**  
***Certification of Interim Filings Venture Issuer Basic Certificate***

I, Shai Shemesh, the Chief Financial Officer of IM Cannabis Corp. certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of IM Cannabis Corp. (the "issuer") for the interim period ended September 30, 2020.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: November 27, 2020

"Shai Shemesh"

Shai Shemesh

Chief Financial Officer

**NOTE TO READER**

In contrast to the usual certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), namely, Form 52-109F1, this Form 52-109F1-IPO/RTO does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of an issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.



**Form 52-109FV2**  
***Certification of Interim Filings Venture Issuer Basic Certificate***

I, Oren Shuster, the Chief Executive Officer of IM Cannabis Corp. certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of IM Cannabis Corp. (the "issuer") for the interim period ended September 30, 2020.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: November 27, 2020

"Oren Shuster"

Oren Shuster

Chief Executive Officer

**NOTE TO READER**

In contrast to the usual certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), namely, Form 52-109F1, this Form 52-109F1-IPO/RTO does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of an issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.





**IM Cannabis Corp.**

**Management's Discussion and Analysis**

For the Three and Nine Months Ended September 30, 2020

November 26, 2020

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**Management's Discussion and Analysis**

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**IM Cannabis Corp.****Management's Discussion and Analysis****For the Three and nine Months Ended September 30, 2020 and 2019**

This Management's Discussion and Analysis ("MD&A") reports on the consolidated financial condition and operating results of IM Cannabis Corp. (the "Company" or "IMCC") for the three and nine months ended September 30, 2020 and 2019. Throughout this MD&A, unless otherwise specified, "IMCC", "the Company", "we", "us" or "our" refer to IM Cannabis Corp.

This MD&A should be read in conjunction with the interim condensed consolidated financial statements of the Company as at and for the three and nine months ended September 30, 2020 and notes thereto (the "Interim Financial Statements").

The Interim Financial Statements have been prepared by management in accordance with the International Financial Reporting Standards ("IFRS"). IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amount of assets and liabilities at the date of the 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 Interim Financial Statements include the accounts of the Company, and its subsidiaries: IMC, I.M.C. - International Medical Cannabis Portugal Unipessoal, Lda., IMC Ventures Ltd., Adjupharm GmbH ("Adjupharm"), IM Cannabis Holding NL B.V ("IMC Holland") and Focus Medical Herbs Ltd. ("Focus"). All intercompany balances and transactions were eliminated on consolidation.

All amounts in this MD&A are expressed in Canadian Dollars (\$) in thousands, unless otherwise noted.

**CAUTION CONCERNING FORWARD-LOOKING STATEMENTS**

Certain statements in this MD&A may contain "forward-looking information," 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 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.

## Management's Discussion and Analysis

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Without limitation, this MD&A contains forward-looking statements pertaining to:

- the anticipated decriminalization of recreational cannabis in Israel;
- the intentions of management of the Company; 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;
- its ability to successfully list its common shares on the NASDAQ Capital Market ("NASDAQ") and the receipt of all required approvals in respect of such listing, including but not limited to the registration of the Company's common shares with the United States Securities and Exchange Commission;
- future cannabis pricing;
- cannabis production yields; and
- its ability to market the IMC brand and its services successfully to its anticipated clients.

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 Israeli government deciding to delay or abandon the decriminalization of recreational cannabis;
- the bill relating to the decriminalization of recreational cannabis in Israel being rejected by the Israeli parliament;
- any change in the political environment which would negatively affect the decriminalization of recreational cannabis in Israel;
- the failure of the Company to comply with applicable regulatory requirements in a highly regulated industry;
- any failure of the Company to maintain "de facto" control over Focus in accordance with IFRS 10;
- the failure of Focus to renew its cultivation license with the Israeli Ministry of Health;
- regulatory authorities in Israel viewing the Company as the deemed owner of more than 5% of Focus in contravention of Israeli rules;
- unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel, Germany, Portugal, Greece, Holland or any foreign jurisdictions in which the Company intends to operate;
- the impact of increasing competition;
- inconsistent public opinion and perception regarding the use of cannabis;
- engaging in activities considered illegal under US federal law;
- political instability and conflict in the Middle East;
- adverse market conditions;
- unexpected business disruptions due to COVID-19 novel coronavirus ("COVID-19") and other disease outbreaks;

**Management's Discussion and Analysis**

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- the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses;
- currency fluctuations;
- 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.

**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 laws. 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 Developments" 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 laws. 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 Company'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 which are available at [www.sedar.com](http://www.sedar.com).

**NON-IFRS FINANCIAL MEASURES**

Certain financial measures used in this MD&A do not have any standardized meaning under IFRS, including "Gross Margin", "EBITDA" and "Adjusted EBITDA". 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.

**Management's Discussion and Analysis**

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**OVERVIEW OF THE COMPANY****Company Background**

The Company was incorporated pursuant to the Business Corporations Act (British Columbia) on March 7, 1980, under the name "Nirvana Oil & Gas Ltd." On July 12, 2013, in connection with a share consolidation, the Company changed its name to "Navasota Resources Inc.". The principal business of Navasota Resources Inc. ("Navasota") was that of a mineral exploration and development company. On October 11, 2019, the Company completed a Reverse Takeover Transaction (as defined herein) with IMC Holdings Ltd. ("IMC"), pursuant to a definitive business combination agreement, dated November 6, 2018, as amended. As a result of the Reverse Takeover Transaction, the Company changed its business from mining to the medical cannabis industry and its name to "IM Cannabis Corp.". IMC is currently a wholly-owned subsidiary of the Company.

Internationally, the Company has established a vertically integrated medical cannabis business in Germany. Subject to obtaining applicable governmental and regulatory approvals, the Company has expansion plans for additional European markets. The Company's core Israeli business includes offering branding and intellectual property-related services to the Israeli medical cannabis market. The Company's major Israeli assets include the Option Agreements to purchase the Licensed Entities from the Principals and the Commercial Agreements (capitalized terms as defined herein), as well as holdings in an innovation-focused company. The Company's major international assets include material holdings in a fully licensed medical cannabis distribution company in Germany, a 25% interest in a cultivation joint venture in Greece, a subsidiary in Portugal and a subsidiary in Holland that has recently submitted a tender to participate in a Dutch governmental pilot project to establish a cannabis licensing regime.

The Company operates in the field of medical cannabis by providing intellectual property and services to licensed producers (each an "LP"). Focus, a licensed medical cannabis producer in Israel with whom the Company has exclusive commercial agreements, is the first major Israeli LP to utilize the Company's intellectual property and know-how.

Neither the Company nor any of its subsidiaries currently hold, directly or indirectly, any licenses to engage in the cultivation, production, processing, distribution or sale of medical cannabis in Israel. However, under IFRS 10, the Company is required to consolidate the results of Focus, a licensed propagator and cultivator of medical cannabis under the current Israeli regulatory regime. As such, all financial information in this MD&A is presented on a consolidated basis reflecting the results of the Company, its subsidiaries and Focus (the "Group"). Focus operates under the regulations of medical cannabis by the Israeli Ministry of Health (the "MOH") through the Israel Medical Cannabis Agency (the "IMCA") to breed, grow, and supply medical cannabis products in Israel. All of Focus' operations are performed pursuant to the Israeli DANGEROUS DRUGS ORDINANCE [NEW VERSION], 5733 - 1973 (the "Dangerous Drugs Ordinance") and the related regulations issued by IMCA.

The revenues of the Group are generated from sales of medical cannabis products to customers in Israel and Germany. IMCC and its subsidiaries do not engage in any U.S. cannabis-related activities as defined in Canadian Securities Administrators Staff Notice 51-352.

## Management's Discussion and Analysis

On March 15, 2019, IMC acquired Adjupharm, a company incorporated in Germany. Adjupharm is a licensed EU-GMP producer with wholesale, narcotics handling and import/export licenses for medical cannabis.

IMCC is a participant in the Israeli medical cannabis market, which as of the date of this report, has more than 75,000 users patients the MOH's new regulation. As of September 30, 2020, over 400 pharmacies distribute products bearing IMC's brand to medical cannabis patients.

### Company Products

IMC is a well-known, recognized medical cannabis brand in Israel. The Company believes that the IMC's brand in Israel has become synonymous with quality, purity and consistency. The Company is also responsible for successfully bringing to market popular cannabis strains such as Roma, DQ, London, Tel Aviv and Pandora's Box.

Focus is currently offering two main types of products carrying IMC's brand: dried cannabis and cannabis oil. All of the products are tested in certified labs according to MOH standards and certified before being packaged and labelled with detailed information about the levels of tetrahydrocannabinol ("THC") and cannabidiol ("CBD") within each product.

There are currently several dried medical cannabis products and medical cannabis oil products bearing IMC's brand:

DRIED MEDICAL CANNABIS PRODUCTS BEARING IMC'S BRAND (DISTRIBUTED BY FOCUS)			
Strain	THC/CBD Content	Category	Usage
Roma	THC: 16-24% CBD: 0-7%	T20/C4	In Israel, Roma has been prescribed for relief from chronic pain and migraines, as well as to treat insomnia, eating disorders and anxiety.
Tel Aviv	THC:16-24% CBD: 0-7%	T20/C4	In Israel, Tel Aviv has been prescribed for relief from chronic pain and migraines, as well as to treat eating disorders and anxiety.
Dairy Queen	THC: 11-19% CBD: 0-5.5%	T15/C3	In Israel, Dairy Queen has been prescribed for relief from pain, stress and anxiety, ALS, MS, and Crohn's disease.

**Management's Discussion and Analysis**


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Pandora's Box	THC: 11-19% CBD: 0-5.5%	T15/C3	In Israel, Pandora's Box has been prescribed for relief from pain, stress and anxiety, as well as to treat depression, migraines and nausea.
Paris	THC: 6-14% CBD: 6-14%	T10/C10	In Israel, Paris has been prescribed for relief from the side effects of chemotherapy and radiation treatments of cancer patients.
London	THC: 11-19% CBD: 0-5.5%	T15/C3	In Israel, London has been prescribed for relief from chronic pain and migraines, as well as to treat insomnia, eating disorders, anxiety and PTSD.
Canadian	THC: 11-19% CBD: 0-5.5%	T15/C3	An Indica-dominant strain, Shishkaberry is a combination of DJ Short, Afghan and Blueberry varieties, characterized by the rich fruity taste of aromatic flowers. In Israel, Canadian has been prescribed for relief from pain.
Spanish	THC: 16-24% CBD: 0-7%	T20/C4	An Indica strain from Spain which brings a deep calm with a feeling of gentle and peaceful euphoria. In Israel, Spanish has been prescribed for relief from pain as well as other chronic pain-related medical conditions.

## Management's Discussion and Analysis

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### Corporate Developments

#### (i) Corporate Restructuring and Canadian Liquidity Events

In June 2018, the Company announced the entering into a letter of intent with IMC pursuant to which IMC would complete a reverse takeover of the Company and a change of business of the Company from mining to the medical cannabis industry (the "Reverse Takeover Transaction"). In November 2018, the Company and IMC announced the entering into of a definitive business combination agreement whereby the reverse takeover would be completed by way of a three-cornered amalgamation involving the parties and a wholly-owned subsidiary of the Company, Navasota Acquisition Ltd. ("Navasota Subco"). On September 3, 2019, IMC, Navasota and Navasota Subco amended and restated the business combination agreement which superseded the previous agreement signed in November 2018.

On August 30, 2019, Navasota and IMC announced the completion of a private placement offering of 19,460,527 subscription receipts (each a "Subscription Receipt") of a wholly-owned subsidiary of Navasota ("Finco") at a price of \$1.05 per Subscription Receipt for aggregate gross proceeds of \$20,433 (the "Financing") pursuant to the terms of the Reverse Takeover Transaction. Upon the satisfaction or waiver of, among other things, all of the condition precedents to the completion of the Reverse Takeover Transaction, each Subscription Receipt was exchanged for one unit of Finco (a "Finco Unit") with each Finco Unit being comprised of one (1) common share of Finco (a "Finco Share") and one-half (1/2) of one (1) common share purchase warrant of Finco (a "Finco Warrant"). Each whole Finco Warrant was exercisable for one Finco Share at an exercise price of \$1.30 for a period of 24 months following the closing of the Reverse Takeover Transaction. Upon closing of the Reverse Takeover Transaction, the Finco Shares and Finco Warrants were exchanged for IMCC shares and IMCC warrants on economically equivalent terms on a 1:1 basis.

Pursuant to the terms of the Reverse Takeover Transaction, on October 4, 2019, Navasota completed a consolidation of its common shares on 2.83:1 basis and changed its name to "IM Cannabis Corp.". On October 11, 2019, the Reverse Takeover Transaction was completed, which included the merger of IMC and Navasota Subco under Israeli laws and the resulting amalgamated entity becoming a wholly-owned subsidiary of IMCC. Upon the completion of the Reverse Takeover Transaction, the former holders of IMC ordinary shares held approximately 84.28% of the issued and outstanding IMCC shares, the previous holders of Subscription Receipts held approximately 13.35% of the IMCC shares and the previous holders of Navasota shares held 2.37% of the IMCC shares, in each case, on a non-diluted basis.

On November 5, 2019, the IMCC shares began trading on the Canadian Securities Exchange ("CSE") under the ticker symbol "IMCC".

During the nine month period ended September 30, 2020, the Company has received \$6,305 proceeds from exercise of Warrants and Compensation options, out of which, \$6,032 received for the exercise of Warrants and Compensation options issued in May through June, 2018, with expiration dates between May through June 2020 (the "2018 Warrants"), and \$273 received for the exercise of Warrants (the "2019 Warrants") (Collectively: the "Warrants") and Compensation options (the "2019 Compensation options") issued in August 2019, with expiration dates through August 2022. A total of 12,351,295 Warrants were exercised, out of which 12,350,795 of 2018 Warrants, representing 92.1% of the total 2018 Warrants quantity, at a price of \$0.50 per Warrant and \$0.40 per Compensation option, 500 Warrants of 2019 Warrants, representing 0.01% of the total 2019 Warrants quantity, at a price of \$1.3 per Warrant.

## Management's Discussion and Analysis

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In addition, 259,630 of 2019 Compensation options, representing 22% of the total 2019 Compensation options quantity, were exercised at a price of \$1.05 per option, to one common share and one half of Warrant (the "2019 Compensation Warrant").

As a result of the exercises above, a total of 12,610,925 common shares of the Company were issued to the Company's investors.

### (ii) Restructuring

Prior to completing the Reverse Takeover Transaction and listing on the CSE, IMC facilitated a restructuring of its Israel-based assets (the "IMC Restructuring"), to meet certain compliance requirements set by the MOH.

Under the terms of the IMC Restructuring, IMC divested its interests in Focus, IMC Pharma Ltd. ("IMC Pharma") and I.M.C.C. Ltd. ("IMCCL", and together with Focus and IMC Pharma, the "Licensed Entities") to Oren Shuster, the sole director and CEO of IMC and the CEO and a director of IMCC, and to Rafael Gabay, a director of IMCC (the "Principals"), both of whom are related parties to IMCC. In connection with the divestment of the Licensed Entities, IMC entered into option agreements whereby IMC retains a 10 year option to re-acquire the sold interests at such time as Israeli laws permit foreign share ownership of more than 5% of Israeli medical cannabis companies (the "Option Agreements").

In connection with the IMC Restructuring, IMC entered into a license agreement with Focus (the "License Agreement") that granted Focus a limited, non-exclusive, non-assignable right to use certain IMC's IP for the purposes of cultivating cannabis plants in the State of Israel and for the sale of any plant and/or product produced by Focus, either alone or together with other sub-contractors engaged by Focus. As consideration for the License Agreement, Focus agreed to pay to IMC an amount equal to 25% of Focus' total revenues, payable quarterly and adjustable from time to time.

Also in connection with the IMC Restructuring, IMC entered into a services agreement with Focus (the "Services Agreement", and together with the License Agreement, the "Commercial Agreements") to provide certain business support services to Focus in exchange for a fee equal to IMC's cost plus 25%, payable on a quarterly basis and adjustable from time to time.

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

As a result of the IMC Restructuring, IMCC derives revenue from the Commercial Agreements. IMCC does not directly hold any licenses to engage in the cultivation, production, processing, distribution or sale of medical cannabis in Israel.

### (iii) License Renewal

The MOH automatically renewed the license of Focus (the "License") until December 31, 2020. The License allows Focus, to, among other things: (1) grow and hold in the growing installation at any given time a total of up to 12,000 plants of different types and at different cultivation stages; (2) keep up to 900kg of plant inflorescence at post-harvest processing stages; (3) grow and hold up to 450kg of unplanted plant parts, including plants that are uprooted and not intended to be processed; and (4) cultivate and store up to 6,360 plants of different types and at different cultivation stages.



## Management's Discussion and Analysis

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### (iv) Regulatory Changes

Until September 2019, patients received licenses for the use of medical cannabis from the IMCA, which set a fixed monthly price for patients registered to receive products, regardless of the amount they consumed. Patients who were entitled to receive the product, paid a fixed price of NIS 370 per month (including VAT); thus, a patient that received 20 grams of the product paid the same as a patient that received 180 grams. Under the MOH's new regulations, patients obtain a prescription for medical cannabis from a physician and purchase the prescribed medicine from pharmacies. In addition, the price of medical cannabis is no longer controlled by the MOH and price per grams increased, reflecting patients' actual consumption amounts and choices of products.

Following the implementation of the reform on October 2019, IMCC believes that the Israeli medical cannabis market will continue to benefit from the following :

- (a) price increases;
- (b) an increase to the number of physicians certified by the IMCA to prescribe medical cannabis;
- (c) the ability of physicians to directly prescribe medical cannabis to patients rather than the previous qualification method whereby the IMCA assigned patients to suppliers;
- (d) the continued growth rate of the Israeli medical cannabis patient base and the resolution of an IMCA backlog that has slowed the approval process; and
- (e) the expansion of the list of ailments and diseases for which medical cannabis can be prescribed to treat.

### MOH Pilot

During October 2020, the MOH launched a new pilot program under which medical cannabis producers will be authorized to export medical cannabis, subject to making certain products available to patients in Israel over the age of 21 at a fixed price of NIS14 per gram (\$5.50 per gram) and NIS10 (\$4.00 per gram) for patients under the age of 21 (the "Pilot Program"). The medical cannabis products that will be made available under the Pilot Program are at each participating company's discretion. The Pilot Program is planned for an initial period of three months. As IMC-branded products will be available as part of the Pilot Program, IMC-branded products will be eligible for immediate application for export permits.

### Legalization of Cannabis in Israel

During November 2020, an Israeli government committee responsible for advancing cannabis market reform published a report concluding that it supports and recommends the legalization of adult-use recreational cannabis in Israel (the "Report"). Based on the Report, the Israeli Ministry of Justice is expected to formulate a bill to begin the legislative process towards the legalization of adult-use recreational cannabis.

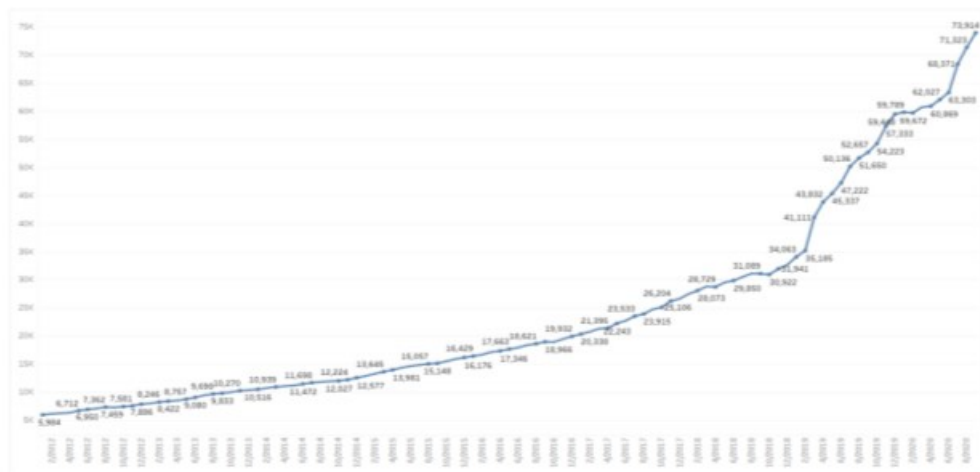
## Management's Discussion and Analysis

The government committee made its recommendation for legalization based on the increasing demand for recreational cannabis in Israel, the importance of maintaining quality standards and limiting uncontrolled products, the need for increased access to cannabis by medical patients and decreasing the size of the illegal market. The model proposed by the government committee in the Report is similar in nature to the model adopted in Canada, whereby government-licensed dispensaries will be established for the sale of recreational cannabis.

### (v) Israeli Market

Under the old regulations, Focus had previously distributed approximately 80% of its medical cannabis products by home delivery and 20% via one designated distribution outlet set by the IMCA. Under the new regulations, medical cannabis is delivered from the LP to the manufacturer, who delivers to the distributor to distribute to the pharmacies. The Israeli medical cannabis market has shown dramatic growth over the past several years. It is projected that this growth will continue and according to MOH estimates, the number of patients is expected to reach 150,000 by the end of 2021.

#### Israeli Market Development 2012-2020



- According to Israel MOH monthly publication as of October 2020 there are - 76,769 patients.
- Monthly prescriptions are - 2,683,000 gram of cannabis per month.

### (vi) Medical Cannabis Exports

The Israeli government approved an export reform in January 2019, with the first LPs that received export licenses from the MOH beginning to export medical cannabis products in January 2020. Given IMC's brands and market position, the Company expects to benefit from exporting its brands.

**Management's Discussion and Analysis**

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**(vii) International Activity**

IMCC believes that the key to its global expansion is the penetration of the European market by the promotion of the Company's brand through its wholly-owned distribution platform.

IMCC's European strategy began with Germany, which is currently the largest and most advanced medical cannabis market in Europe. To develop its operations in Germany, on March 15, 2019, IMC completed the acquisition of 100% of Adjupharm, a licensed EU-GMP distributor with narcotics handling and import/export licenses for medical cannabis. IMC acquired all of the issued and outstanding Adjupharm shares for €924 (approximately \$1,400) with additional obligations to the sellers including repayment of bank loans of up to €680 (approximately \$1,030). These bank loans were repaid by IMC in May 2019. On March 21, 2019, following the acquisition, IMC granted to Adjupharm's CEO 5% of Adjupharm's ordinary shares. On March 1, 2020, an additional 2.5% of Adjupharm's ordinary shares were granted to Adjupharm's CEO. An additional 2.48% will be granted to Adjupharm's CEO on March 1, 2021.

Adjupharm has been developing the Company's brand presence in Germany and continues to create a distribution stronghold in Germany's growing medical cannabis market.

To achieve sufficient product availability for distribution in the German market, IMCC has entered into strategic agreements with EU-GMP suppliers, and expects to establish its own cultivation facilities independently or in partnership with local partners.

In October 2018, IMC established a wholly-owned subsidiary in Portugal in order to apply for a medical cannabis cultivation license. The application to receive the license is currently in the final stage of review, however given the uncertainty related to COVID-19, the Company is deferring any further investment into Portugal indefinitely.

In January 2020, IMCC signed definitive agreements to establish a medical cannabis cultivation and processing joint venture in Greece (25% owned by IMCC) for the construction of an EU-GMP certified cultivation and processing facility in Greece. Subject to the uncertainty relating to COVID-19, it is anticipated that execution of the Joint Venture's business plan will start at the end of the 2020 financial year and construction of greenhouses and the EU-GMP facility is expected to begin upon receiving an establishment approval from the Greek medical cannabis regulatory authorities.

In July 2020, IMCC established, through a fully owned subsidiary, a subsidiary (60% owned) in Holland for a purpose of applying a Dutch governmental tender to establish a full cannabis supply chain and becoming the exclusive cannabis suppliers to coffee shops in ten Dutch municipalities participating in such tender. The supply agreement pursuant to the tender is for a period of four years, following which the Dutch government will decide as to an extension. Successful applicants are expected to be announced by the beginning of 2021.

**(viii) Investment in Xinteza**

On December 26, 2019, the Company entered into a share purchase agreement with Xinteza API Ltd. ("Xinteza") (the "Xinteza SPA"), a company with a unique biosynthesis technology, whereby the Company acquired 25.37% of Xinteza's outstanding common shares for consideration of US\$1,700 paid in several installments. The first installment in the amount of US\$700 (\$912) for the purchase of approximately 15,700 preferred shares of Xinteza was made on the date of the Xinteza SPA. As of September 30, 2020, the Company has paid all of its consideration under the Xinteza SPA and holds a total of 25.37% of the outstanding share capital of Xinteza on a fully diluted basis.

## Management's Discussion and Analysis

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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 is 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. The investment was measured at fair value through profit or loss.

### (ix) Strategic Developments:

1. On January 23, 2020, IMCC signed definitive agreements to establish a medical cannabis cultivation and processing joint venture in Greece (the "Joint Venture") with Galen Industries Single Member Societe Anonyme, a Greek company established by a consortium of investors in Greece with extensive experience in the pharmaceutical, media, finance and energy sectors ("Galen").

IMCC will own 25% of the Joint Venture and the remaining 75% of the Joint Venture will be owned by Galen. Each party is committed to fund the initial capital expenditures, totaling approximately up to €8,000 (\$11,675) for the construction of an EU-GMP certified cultivation and processing facility in Greece. IMCC will invest up to €1,500 (\$2,189) into the Joint Venture, with the balance funded by Galen. Subject to the uncertainty relating to COVID-19, it is anticipated that execution of the Joint Venture's business plan will start at the end of the 2020 financial year and construction of greenhouses and the EU-GMP facility is expected to begin upon receiving an establishment approval from the Greek medical cannabis regulatory authorities. The Joint Venture land plot size is expected to be 100,000 to 180,000 square meters (or 1,076,000 to 1,938,000 square feet).

In addition, the Joint Venture and IMCC have signed a preferred supply agreement (the "Galen Supply Agreement"). Under the Galen Supply Agreement, IMCC has the right to purchase up to 25% of the total production from the Joint Venture at a preferred price as determined in the agreement, for an initial period of five years. IMCC expects to gain commercial and competitive advantages by supplying the German market and other emerging markets across Europe with EU-GMP medical cannabis products from the Joint Venture's facility in Greece at preferred terms.

To date, no capital expenditures have been made towards the Joint Venture given the uncertainty relating to COVID-19.

2. On March 23, 2020, Focus signed a supply agreement (the "Intelicanna Supply Agreement") with Intelicanna Ltd. ("Intelicanna") for a minimum of 500kg and up to 1,000kg of medical cannabis. Additional purchases may be made by Focus under the agreement without a change to the contracted price paid to Intelicanna. The finished products will be sold to pharmacies in Israel under the IMC brand. The Intelicanna Supply Agreement is for a term of 12 months from the date of the first planting in Intelicanna's facility.

Intelicanna will obtain access to Focus' unique and proprietary genetics for the purpose of delivering product under the Intelicanna Supply Agreement; however, the genetics will remain the exclusive property of Focus. Intelicanna may not sell, transfer or perform research with the genetics it accesses through the Intelicanna Supply Agreement without consent from Focus. Under the Intelicanna Supply Agreement, Intelicanna will be responsible for all production activities under Focus' supervision and quality control practices throughout the growing process at Intelicanna's site.

**Management's Discussion and Analysis**

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3. On March 30, 2020, Focus signed a binding three-year sales agreement for the sale of medical cannabis (the "March 2020 Pharmacy Sales Agreement") to three pharmacies in Jerusalem operating under the Oranim Pharm and Medi Plus banners (the "Pharmacies").

Focus will supply the Pharmacies a total of 800kg of medical cannabis annually for a period of three years. The total quantity of medical cannabis to be delivered under the March 2020 Pharmacy Sales Agreement is 2,400kg and the Pharmacies are obligated to purchase the entire quantity at a contracted price pursuant to the March 2020 Pharmacy Sales Agreement.

4. On March 31, 2020, Focus signed a three-year definitive supply agreement with Way of Life Ltd. and Cannation Ltd. ("Way of Life" and "Cannation", respectively, and together, the "Suppliers") to purchase a total of approximately 2,600kg of medical cannabis per year, for a total of up to 7,800kg of medical cannabis over three years. All finished products under the supply agreements with Way of Life and Cannation will bear the IMC brand and will be sold to pharmacies in Israel.

Way of Life is an IMC-GAP certified cultivator and is dedicating 1,301 square meters (14,000 square feet) of space at its facility for the cultivation of Focus' proprietary medical cannabis strains. Cannation will dedicate a 5,017 square meter (54,000 square feet) area for the cultivation of Focus' proprietary medical cannabis strains, with the option to increase the dedicated area by an additional 10,034 square meters (108,000 square feet), is contingent on Cannation receiving IMC-GAP certification.

The Suppliers will obtain access to Focus' unique and proprietary genetics for the purpose of delivering products under the respective supply agreements but the genetics will remain the exclusive property of Focus. The Suppliers may not sell, transfer or perform research with the genetics it accesses without consent from Focus. Focus will have access to the Suppliers' growing facilities to monitor the entire growing process.

As IMC has secured the necessary supply to fulfill its delivery obligations under its pharmacy sales agreements and support its Israeli operations, the supply agreement with Cannation announced on March 31, 2020 and for a quantity of up to 6,200kg over three years was terminated as milestones under the agreement expired.

5. On April 6, 2020, Focus signed a binding two-year sales agreement for the sale of IMC-branded medical cannabis with Shor Tabachnik pharmacies ("Tabachnik") (the "Tabachnik Sales Agreement"). According to the Tabachnik Sales Agreement, Focus will supply Tabachnik 1,000kg of IMC branded medical cannabis products annually through the duration of the Tabachnik Sales Agreement at an agreed upon price.

6. On April 13, 2020, Focus signed a binding three-year agreement for the sale of 13,575kg of IMC-branded medical cannabis products to Super-Pharm (Israel) Ltd. ("Super-Pharm") (the "SP Sales Agreement"). According to the SP Sales Agreement, Focus will sell to Super-Pharm a total of 13,575kg of IMC branded medical cannabis over the next three years as follows: 2,270kg in 2020, 4,980kg in 2021, and 6,325kg in 2022. Medical cannabis products sold under the SP Sales Agreement will include both dry flower and extract products at an agreed upon price.

**Management's Discussion and Analysis**

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7. On April 13, 2020, Focus signed a one-year binding agreement for the sale of 1,000kg IMC-branded medical cannabis to Panaxia Labs Israel, Ltd. ("Panaxia") (the "Panaxia Sales Agreement"). Under the Panaxia Sales Agreement, Focus began deliveries to Panaxia in April 2020 with 1,000kg contracted for sale over the 12 months following the date of the Panaxia Sales Agreement at an agreed upon price.
8. On April 14, 2020, Focus signed an agreement for the sale of up to 1,500kg over three years of IMC-branded medical cannabis to MaxPharm Ltd. ("Max Pharm") (the "MP Sales Agreement"). Under the MP Sales Agreement, Focus will begin delivering to Max Pharm in 2021, totaling 500kg annually at an agreed upon price. Max Pharm has an option to purchase an additional 500kg of medical cannabis from Focus in each of 2021, 2022 and 2023, for a total volume of up to 3,000kg over three years.
9. On April 21, 2020, Focus signed a binding three-year agreement for the sale of 12,600kg of IMC-branded medical cannabis products to PharmYarok Ltd. ("PharmYarok") (the "PY Sales Agreement"). According to the PY Sales Agreement, Focus will sell to PharmYarok a total 12,600kg of IMC branded medical cannabis between 2021 and 2023 in equal annual volumes of 4,200kg at an agreed upon price, subject to PharmYarok meeting certain regulatory requirements. Medical cannabis products sold under the PY Sales Agreement will include both dry flower and extract products at an agreed upon price.
10. On April 26, 2020, Focus signed a three-year definitive Supply agreement (the "Megadim Supply Agreement") with an independent farmer located in Megadim, to purchase a total of approximately 8,060kg of medical cannabis over three years. All finished products under the Megadim Supply Agreement will bear the IMC brand and be sold to pharmacies in Israel.
11. On May 7, 2020, Adjupharm signed a definitive sales agreement with two medical cannabis distributors in Germany for the sale of 360kg of medical cannabis over a twelve month period.
12. On May 12, 2020, Adjupharm signed a sales agreement with an additional medical cannabis distributor in Germany, according to which the distributor will purchase a total of 465kg of IMC branded medical cannabis products over a twelve month period including 190kg that is expected to be delivered prior the end of 2020.
13. On May 19, 2020, Adjupharm received approval to import 4,000kg of medical cannabis into Germany from foreign suppliers pursuant to a license extension (the "Adjupharm License Extension") granted by the German Medical Regulatory Authority. All future imports of medical cannabis will be made under this Adjupharm License Extension, allowing to import either bulk products, such as dry flowers and Dronabinol, and extract products for end-products.
14. In July 2020, AdjuPharm entered into several binding medical cannabis sales agreements with the following distributors in Germany: Zur Rose Group ("Zur Rose"), Axicorp Groupremedix GmbH ("Axicorpmedix"), Canymed GmbH ("Canymed") and Materia Deutschland GmbH ("Materia"). The sales agreements entered into with Axicorpmedix and Canymed are each for a period of three-years and the sales agreements entered into with Zur Rose and Materia is for a period of one-year. These agreements amount to an aggregate of 1,525kg to be delivered in the next twelve months.
15. On July 24, 2020, Focus signed a supply agreement with Ever Green Solomon Pharma Ltd ("Ever Green") to purchase all of the medical cannabis produced by Ever Green for 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 ten years. The finished products will be sold by IMCC to pharmacies in Israel under the IMC brand.

**Management's Discussion and Analysis**

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16. On July 28, 2020, the Company established a wholly-owned subsidiary in Netherlands, IM Cannabis Holding NL B.V (the "Holding NL"), which established an additional Dutch entity, IMC Holland B.V., in which 60% is owned by Holding NL, and the remaining 40% owned by a group of four individuals with expertise in the Dutch cannabis market (collectively: the "IMC Netherlands"). The IMC Netherlands was incorporated for the purpose of applying for a Dutch governmental tender to establish a full cannabis supply chain (the "Tender"). Under the Dutch government Tender, up to 10 licensed growers (minimum of 5) will be selected by the Dutch Minister of Healthcare and the Minister of Justice and Security, becoming the exclusive cannabis suppliers to all the coffee shops in the ten Dutch municipalities participating in the Tender. The application proposes a facility that will produce approximately 6,500Kg of cannabis annually, with finished products including flowers, hash and pre-rolls. The supply agreement pursuant to the Tender is for a period of four years, following which the Dutch government will decide as to an extension. Successful applicants are expected to be announced by the beginning of 2021.

**Company Outlook**

The Company, through the Commercial Agreements continues to expand brand recognition, and supply the growing medical cannabis market in Israel with products bearing the Company's brand. Additionally, the Israeli government is discussing the possibility of exporting cannabis, which could increase the Company's revenues. With the expected high growth of the Israeli medical cannabis market, and the increased prospects of adult-use recreational cannabis legalization in Israel, the Company is well positioned to reap the benefits of its long-term presence and strong brand from this market expansion as it expects increases in both revenues and profitability.

In Europe, the Company's growing hub and distribution network in Germany will help it penetrate the rest of the European market. The successful launch of the IMC brand in Europe is expected to continue to gain momentum, with sales expected to increase through the Company's focused sales efforts. The Company plans to continue to expand its portfolio and supply a variety of products to address demands in the market's growing categories such as oils and extracts.

Having completed its major capital expenditures and moving to a positive adjusted EBITDA in the three months ended September 30, 2020, the Company is well positioned to support growth, improve its current financial position and reach positive cash flow.

## Management's Discussion and Analysis

### Overview of Financial Performance

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,	
	2020	2019	2020	2019	2019	2018
Revenues	\$ 10,990	\$ 6,595	\$ 5,893	\$ 2,326	\$ 9,074	\$ 5,197
Gross profit before fair value impacts in cost of sales	\$ 6,018	\$ 3,433	\$ 3,362	\$ 1,026	\$ 4,313	\$ 3,422
Gross margin before fair value impacts in cost of sales (%)	55 %	52%	57%	44%	48%	66%
Net Income (Loss)	\$ (8,758)	\$ (9,112)	\$ 738	\$ (1,915)	\$ (7,419)	\$ 2,627
Net Income (Loss) per share attributable to equity holders of the Company - Basic and Diluted (in CAD)	\$ (0.06)	\$ (0.08)	\$ 0.00	\$ (0.01)	\$ (0.06)	\$ 0.02

The Overview of Financial Performance includes reference to "gross margin", which is a non-IFRS financial measure. Non-IFRS measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. The Company 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.



## Management's Discussion and Analysis

### Operational Results - Medical Cannabis

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,	
	2020	2019	2020	2019	2019	2018
Average net selling price of dried cannabis (per Gram)	\$ 5.50	\$ 3.06	\$ 5.49	\$ 2.66	\$ 3.39	\$ 2.61
Quantity harvested (in Kilograms)	2,954	1,448	-	-	2,351	2,461
Quantity sold (in Kilograms)	1,506	1,698	981	583	2,180	1,597

### Review of Operations for the nine and three months ended September 30, 2020 and 2019

#### Revenues

The Group operates in one reporting segment. The main revenues of the Group are generated from sales of medical cannabis products to customers in Israel.

Revenues for the nine months ended September 30, 2020 and 2019 were \$10,990 and \$6,595, respectively, representing an increase of \$4,395 or 67%. Total product sold for the nine months ended September 30, 2020 was 1,506kg at an average selling price of \$5.5 per gram compared to 1,698 kg for the nine months ended September 30, 2019 at an average selling price of \$3.06 per gram.

Revenues for the three months ended September 30, 2020 and 2019 were \$5,893 and \$2,326, respectively, representing an increase of \$3,567 or 153%. The increase in revenues for the three months ended September 30, 2020 is attributable to deliveries made under the Pharmacy Sales Agreements as well as to the increased average selling price of \$5.49 per gram, compared to \$2.66 average selling price per gram for the three months ended September 30, 2019.

#### Cost of revenues

The cost of revenues includes production, 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 cost of revenues for the nine months ended September 30, 2020 and 2019 were \$4,972 and \$3,162, respectively, representing an increase of \$1,810 or 57%. Cost of revenues for the three months ended September 30, 2020 and 2019 were \$2,531 and \$1,300, respectively, representing an increase of \$1,231 or 95%. Most of the cost of revenues were comprised of production works, utilities, salary expenses and import costs, as well as certain adjustments made by the Company in order to adhere to the MOH's new regulation. Focus expects 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.

**Management's Discussion and Analysis**

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Gross profit

Included in the Company's calculation of gross profit are the following:

- production costs (current period costs that are directly attributable to the cannabis growing and harvesting process);
- 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).

Included in gross profit is 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 for the nine months ended September 30, 2020 and 2019 was \$9,961 and \$4,203, respectively, representing an increase of \$5,758 or 137%. For the three months ended September 30, 2020 and 2019 gross profit was \$3,381 and \$637, respectively, representing an increase of \$2,744 or 431%. Gross profit included gains from unrealized changes in fair value of biological assets and realized fair value adjustments on inventory sold of \$3,943 and \$770 for the nine months ended September 30, 2020 and 2019, respectively. Gross profit (loss) for the three months ended September 30, 2020 and 2019 were \$19 and \$(389), respectively.

Expenses**General and Administrative**

General and administrative expenses for the nine months ended September 30, 2020 and 2019 were \$7,223 and \$5,125, respectively, representing an increase of \$2,098 or 41%. For the three months ended September 30, 2020 and 2019, general and administrative expenses were \$2,197 and \$1,852, respectively, representing an increase of \$345 or 19%. The increase is mainly attributable to increased corporate activity in Israel and Germany, as well as one time bonuses to employees in relation to the listing efforts in 2019 in the amount of \$525.

**Selling and Marketing**

Selling and marketing expenses for the nine months ended September 30, 2020 and 2019 were \$2,334 and \$964, respectively, representing an increase of \$1,370 or 142%. For the three months ended September 30, 2020, selling and marketing expenses were \$1,150, compared to \$373 for the three months ended September 30, 2019, representing an increase of \$777 or 208%. The increase in the selling and marketing expenses was due to the Company's increased marketing efforts and brand launch in Israel and Germany as well as increased distribution expenses relating to the increase in sales.

## Management's Discussion and Analysis

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### Research and Development

Research and development expenses for the nine months ended September 30, 2020 and 2019 were \$135 and \$201, respectively, representing a decrease of \$66 or 33%. For the three months ended September 30, 2020 and 2019, research and development expenses were \$1 and \$62, respectively, representing a decrease of \$61 or 98%. The slight decrease for the nine months was primarily associated with the COVID-19 pandemic, which caused delays in new projects in Greece and Portugal.

### Share-based compensation

Share-based compensation expense for the nine months ended September 30, 2020 and 2019 was \$2,131 and \$1,965, respectively, representing an increase \$166 or 8%. For the three months ended September 30, 2020 and 2019, share-based compensation expense was \$704 and \$804, respectively, representing a decrease of \$100 or 12% which derived from the leave of several employees. The increase was mainly due to the grant of new incentive stock options on September 9, 2020 and the increase in the Company's share price which led to increase in the fair value adjustment of consultants' options.

### Financing

Financing income (expense), net, for the nine months ended September 30, 2020 and 2019 was (\$5,975 ) and (\$4,602), respectively, representing a decrease of \$1,373 or 30 %. For the three months ended September 30, 2020, financing income (expense) was \$1186 and \$426 , respectively, representing an increase of \$760 or 178 %. The change was mainly due to the valuation update of the Warrants, which was affected by the Company's increased share price.

### Depreciation and Amortization

Depreciation and amortization expenses for nine months ended September 30, 2020 and 2019 were \$672 and \$436, respectively, representing an increase of \$236 or 54%. For the three months ended September 30, 2020 and 2019, depreciation and amortization expenses were \$244 and \$174 , respectively, representing a decrease of \$70 or 40 %. Depreciation and amortization expenses are impacted by the adoption of IFRS 16, renewal of Focus' greenhouses and Focus' purchase of additional production equipment, as well as the amortization of intangible assets following the acquisition of Adjupharm.

### Net Income/Loss

Net income (loss) for the nine months ended September 30, 2020 and 2019 was (\$8,758) and (\$9,112), respectively, representing a net income increase of \$354 or 4 %. For the three months ended September 30, 2020 and 2019, net income was \$738 and (\$1,915), respectively, representing an increase of \$2,653 or 139 %. The net income increase related to factors impacting net income from operations described above, and finance expenses driven by revaluation of Warrants in the amount of (\$6,048 ), which were recorded against liability on the grant day and were re-evaluated at September 30, 2020 through profit or loss.

### Loss per Share

Basic loss per share is calculated by dividing the net profit attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted profit per share is calculated by adjusting the earnings and number of 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 share excludes unissued common shares related to incentive stock options as they are antidilutive. Basic and diluted loss per share for the nine and three months ended September 30, 2020 were (\$0.06) and \$0.00 per share, respectively.

**Management's Discussion and Analysis**

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Total Assets

Total assets as at September 30, 2020 were \$39,710, compared to \$15,193 as at September 30, 2019, representing an increase of \$24,517 or 161 %. This increase was primarily due to the completion of the private placement offering of 19,460,527 subscription receipts in which Finco, a subsidiary of the Company, raised approximately \$20,433. During the nine months ended September 30, 2020, the Company has received \$6,305 proceeds from Warrants and Compensation options exercised, out of which \$6,032 received for Warrants and Compensation options issued in May through June, 2018, with expiration dates between May through June, 2020 (the "Warrants and Compensation options"). A total of 12,610,925 Warrants and Compensation options were exercised, out of which 12,350,795 of those issued in May through June, 2018 representing 92.1% of the total Warrants and Compensation options quantity, at a price of \$0.50 per Warrant and \$0.40 per Compensation option. The Company used part of the proceeds from the warrant exercises for its operating activities and investing activities.

Total Liabilities

Total liabilities as at September 30, 2020 were \$9,421, compared to \$10,386 at September 30, 2019, representing a slight decrease of \$965 or 9 %. The decrease was primarily due to a decrease of \$3,040 in Warrants liability, offset by an increase in trade payables, other payables and deferred tax liability.

Intangible Assets

On March 15, 2019, IMC acquired Adjupharm, a licensed EU-GMP producer with wholesale, narcotics handling and import/export licenses for medical cannabis. As part of its global expansion and penetration plan into the European market, IMC acquired 100% of Adjupharm's issued and outstanding shares for €924 (approximately \$1,400).

Through the acquisition of Adjupharm, the Company recognized \$1,287 in intangible assets and goodwill. The goodwill arising on the acquisition was attributed to the expected benefits from the synergies of the combination of the activities of the Company and Adjupharm.

The goodwill recognized is not expected to be deductible for income tax purposes.

The Company recognized and updated the fair value of the assets acquired and liabilities assumed in the business combination according to a final valuation made by an external valuation specialist.

Liquidity and Capital Resources

In the nine months ended September 30, 2020, the Company generated revenues of \$10,990 and received \$6,424 in proceeds from exercise of Warrants, Compensation Options and incentive stock options. Prior to receiving these proceeds, the Company financed its operations and met its capital requirements primarily through the October 2019 equity financing, upon the Reverse Takeover Transaction and listing on the CSE. The Company's objectives when managing its liquidity and capital resources are to generate enough cash to fund the Company's operating and working capital requirements.

**Management's Discussion and Analysis**

As at September 30, 2020, the Company had a working capital surplus of \$26,147, compared to working capital of \$7,323 as at September 30, 2019. The increase in working capital of \$18,824 was primarily attributable to the cash raised from the Company's equity financing and exercise of Warrants and Compensation Options. As of September 30, 2020, the Company had an unaudited cash balance of \$9,737 and no debt.

As at September 30, 2020, 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 September 30, 2020, management considers liquidity risk to be low.

As at September 30, 2020, the Group has identified the following liquidity risks related to financial liabilities:

	<u>Less than one year</u>	<u>1 to 5 years</u>	<u>6 to 10 years</u>	<u>&gt;10 years</u>
Lease liabilities	\$ 172	\$ 312	\$ 534	\$ -

The maturity profile of the Company's other financial liabilities (trade payables, other account payable and accrued expenses, and warrants) as of September 30, 2020 are less than one year.

The Interim 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 Interim 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, 158,650,878 of which are issued and outstanding as of September 30, 2020.

The Company's common shares confer upon their holders the right to participate in the general meeting with each common share having one voting right on all matters. The Company's 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.

## Management's Discussion and Analysis

### Operating, Financing and Investing Activities

The following table highlights the Company's cash flows for the nine and three months ended September 30, 2020 and 2019:

	For the nine months ended September 30,		For the three months ended September 30,	
	2020	2019	2020	2019
Net cash provided by (used in):				
Operating activities	\$ (7,384)	\$ (2,846)	\$ (2,077 )	\$ (801)
Investing activities	\$ (3,237)	\$ (2,236)	\$ (1,642)	\$ (510)
Financing activities	\$ 6,238	\$ (730)	\$ 251	\$ (64)
Effect of foreign exchange	\$ 194	\$ (448)	\$ (16 )	\$ (356)
Decrease in cash	\$ (4,189)	\$ (6,260)	\$ (3,484)	\$ (1,731)

Operating activities used cash of \$7,384 and \$2,077 for the nine and three months ended September 30, 2020, respectively, as compared to \$2,846 and \$801 for the nine and three months ended September 30, 2019, respectively. This variance is primarily due to non-cash activities related to fair value adjustment of inventory and biological assets, fair value adjustments of warrants and share based compensation. In the three months ended September 30, 2020, cash was primarily used to increase operating activities in connection with the Company's operations in Germany and the preparation of its Israeli operations to deliver medical cannabis under the Pharmacy Sales Agreements.

Investing activities used cash of \$3,237 and \$1,642 for the nine and three months ended September 30, 2020, respectively, as compared to \$2,236 and (\$510) for the nine and three months ended September 30, 2019, respectively. In the three months ended September 30, 2020, cash was used primarily for the purchase of production equipment for Focus and Adjupharm as well as for investment in Xinteza.

Financing activities provided (used by) cash of \$6,238 and \$251 for the nine and three months ended September 30, 2020, respectively, as compared to (\$730) and (\$64) for the nine and three months ended September 30, 2019, respectively. Most of the cash provided by finance activities in the three and nine months ended September 30, 2020 were derived from the \$6,305 in gross proceeds from the exercise of Warrants, Compensation Options and \$119 incentive stock options, as well as from the repayment of a \$186 lease liability and lease liability interest.

## Management's Discussion and Analysis

### Selected quarterly financial information

For the three months ended	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Revenues	\$ 5,893	\$ 3,757	\$ 1,340	\$ 2,479
Net income (Loss)	\$ 738	\$ (9,496)	\$ 200	\$ 1,693
Basic and diluted net income (Loss) per share (in CAD):	\$ (0.00)	\$ (0.06)	\$ (0.003)	\$ 0.02

For the three months ended	September 30, 2019	June 30, 2019	December 31, 2018	September 30, 2018
Revenues	\$ 2,326	\$ 2,314	\$ 1,439	\$ 1,377
Net income (Loss)	\$ (1,915)	\$ (610)	\$ 1,268	\$ 1,414
Basic and diluted net income (Loss) per share (in CAD):	\$ (0.01)	\$ (0.01)	\$ 0.01	\$ 0.01

On a quarterly basis, apart from the results of the first quarter of 2020 which were considered by the Company as preparation for delivery under the Pharmacy Sales Agreements, the Company has consistently increased revenues, which reflects the Company's expansion strategy.

### Metrics and Non-IFRS Financial Measures

This MD&A makes reference to certain non-IFRS financial measures including "Gross Margin", "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.

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. The Company 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.

## Management's Discussion and Analysis

These 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 nine months ended September 30,		For the three months ended September 30,	
	2020	2019	2020	2019
Operational Profit (Loss)	\$ (1,862)	\$ (4,052)	\$ (671)	\$ (2,452)
Depreciation & Amortization	\$ 672	\$ 436	\$ 244	\$ 174
<b>EBITDA</b>	<b>\$ (1,190)</b>	<b>\$ (3,616)</b>	<b>\$ (427)</b>	<b>\$ (2,278)</b>
IFRS Biological assets fair value adjustments, net	\$ (3,943)	\$ (770)	\$ (19)	\$ 389
Share-based payments	\$ 2,131	\$ 1,965	\$ 704	\$ 804
Other Non-recurring costs	\$ 525	\$ 618	\$ -	\$ -
<b>Adjusted EBITDA (Non-IFRS)</b>	<b>\$ (2,477)</b>	<b>\$ 491</b>	<b>\$ 258</b>	<b>\$ (1,085)</b>

Adjusted EBITDA for the nine months ended September 30, 2020 and 2019 was \$(2,477) and \$(1,803), respectively, a decrease of \$674. Adjusted EBITDA for the three months ended September 30, 2020 and 2019 was \$258 and \$(1,085), respectively, an increase of \$1,343. The Company's Adjusted EBITDA for the nine months ended September 30, 2020 declined as the Company increased inventory in the first quarter of 2020 in anticipation of the commencement of delivery of supply commitments under the Pharmacy Sales Agreements, which started from the second quarter of 2020. Adjusted EBITDA for the three month period ended September 30, 2020 increased by \$1,343 and became positive as deliveries commenced and accelerated under the Pharmacy Sales Agreements.



## Management's Discussion and Analysis

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### Contingent Liabilities and Commitments

#### (i) Rental Liabilities

In August 2010, Focus signed an agreement with a farmer, located in the south of Israel (the "Farmer"), according to which, Focus and the Farmer agreed to jointly operate an area of 7,000 square meters (the "Facility") for the cultivation and processing of medical cannabis (the "Venture"). For the purpose of this Venture, the parties agreed to operate under the operation of Focus. As part of the agreement, 26% of the share capital of Focus was allocated to the Farmer.

According to the agreement, Focus is responsible for transferring payments for the construction and rental of the Facility to the Farmer.

On December 1, 2016, Focus signed an additional agreement with the Farmer, according to which Focus agreed to operate an additional area of 6,000 square meters for the cultivation and processing of medical cannabis, under the operation of Focus.

As of January 1, 2019, all rental liabilities are subject to IFRS16 and are reflected in the Company's balance sheet.

#### (ii) Class Action T.Z. 8394-11-16

On November 3, 2016, a motion was filed for approval of a class action against Focus and seven other Israeli cannabis growers (collectively, the "Growers"), for: (1) alleged use of chemical pesticides in the cannabis growing process, in contradiction to the Plant Protection Regulations (Compliance with Packaging Label Instructions) (the "Label Regulations") and to the Protection of Public Health Regulations (Food) (Residues of Pesticides) (the "Residues Regulations"), and the misleading of their customers, thus violating the Consumer Protection Law (hereafter: the "usage of pesticides claim"); (2) selling cannabis product with lower concentration of active ingredients than publicized; and (3) marketing products in defective packaging - allegedly causing violation of autonomy and unjust enrichment. The personal suit sum for every class member stands at NIS 5,000 (\$2). The total amount of the class action suit is estimated at NIS 133 million (\$50,633).

The Growers argued in their response that the threshold conditions for approval of a class action were not met, and that they did not violate the Label Regulations and the Residues Regulations. The Growers also argued that they are not liable for any civil wrongdoing, nor did they mislead users regarding usage of pesticides, or had any legal duty regarding cannabis packaging beyond MOH guidance and therefore did not breach any statutory duty. Additionally, the defense argues that there is no base for an unjust enrichment claim.

On September 6, 2018, the MOH and the Ministry of Agriculture submitted their official opinion to the court. The second preliminary hearing took place on October 29, 2018. In an evidentiary hearing held on September 9, 2019, the petitioners and the Growers testified and it was decided to remove the plaintiffs' second and last expert opinion from the motion. On December 31, 2019, the applicants submitted their summaries. On April 23, 2020, the Growers submitted their summaries to the Motion. On May 3, 2020, the applicants submitted their response to the Growers summaries.

## Management's Discussion and Analysis

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At the current stage of the litigation process, Company's management believes, based on the opinion of its legal counsel, that it is not probable that the motion for a class action against Focus will be approved. Therefore, an accrual in respect of this litigation was recorded in the financial statements.

### (iii) Class Action T.Z. 35676-08-19

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 (\$251,000). On September 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 750 NIS. Prehearing is set for July 14, 2021.

At this preliminary stage, Focus' management believes, based on the opinion of its legal counsel, that it is not possible to assess the prospects of the proceeding. Therefore, no provision has been recorded in respect thereof.

### (iv) Supreme Court of Justice 2335/19

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, disproportionately, 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.

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.

## Management's Discussion and Analysis

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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' updating.

At this preliminary stage, Focus' management believes, based on the opinion of its legal counsel, that it is not possible to assess the outcome of the proceeding. Therefore, no provision has been recorded in respect thereof.

### (v) Class Action T.Z. 31805-10-19

On October 30, 2019, Focus was served with a motion for approval of a class action against it, the Medical Cannabis Unit of the MOH, and five other companies related to the cannabis market in Israel. The motion was filed in connection to a stopping of supplies of medical cannabis by way of direct supply. The legal causes alleged in the motion are the following: discrimination in violation of the Equal Rights for Persons with Disabilities Act, 1988 and a restrictive arrangement contrary to the Economic Competition Law, 1988. The motion argues that the class action group incurred damages in the amount of NIS 656 million (\$250,000). On November 11, 2020 the Focus submitted its response to the motion and pre-hearing was scheduled for March 21, 2021.

At this preliminary stage, Focus' management believes, based on the opinion of its legal counsel, that it is not possible to assess the outcome of the proceeding. Therefore, no provision has been recorded in respect thereof.

### Off-Balance Sheet Arrangements

IMCC has no off-balance sheet arrangements as at September 30, 2020.

### Transactions with Related Parties

The Company had no 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.

### 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 IMCC currently competes is complex, competitive and changing rapidly. 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.

## Management's Discussion and Analysis

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The following risk factors have been identified by management:

### (i) General Business Risk and Liability

Given the nature of the Company'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 Company, 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. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or the suspension or revocation of the Company's right to carry on its existing business. The Company may incur significant costs in connection with such potential liabilities.

### (ii) Consolidation of Focus 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 Option Agreements) 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 receives economic benefits from Focus (and the terms of the Commercial Agreements cannot be changed without the approval of the Company);
- (b) the Company has the option to purchase the 74% interest from the Principals;
- (c) the CEO of the Company is the sole director of Focus (while simultaneously a substantial shareholder of the Company) and the principals wholly own Focus; and

**Management's Discussion and Analysis**

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(d) the Company provides 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 the Principals 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.

**(iii) 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 in contravention of Israeli rules restricting the ownership of Israeli cannabis cultivators and thereby jeopardizing Focus' cannabis cultivation license. A determination that the Company is in contravention of Israeli rules, 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.

**(iv) Regulation of the Cannabis Industry**

The 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, relating to the manufacture, marketing, management, transportation, storage, sale, pricing and disposal of medical cannabis and cannabis oil, and also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment.

Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Group, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services. Achievement of the Group's 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 Group cannot predict the time required to secure all appropriate regulatory approvals for its products, 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 and financial condition 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 Group's 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 Company's products or services in any way, this could have a material adverse effect on the business, results of operations and financial condition of the Group.

**Management's Discussion and Analysis**

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**(v) 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, transportation, storage, sale and disposal of medical cannabis but also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. While the Company is currently in compliance with all such laws, regulations and guidelines, any changes due to matters on such laws and regulations beyond the control of the Company could have a material adverse effect on the business, results of operations and financial condition of the Company.

**(vi) Environmental and Employee Health and Safety Regulations**

The Group's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and nonhazardous materials and wastes, and employee health and safety. The Group 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 restrictions on our 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.

**(vii) Reliance on License Renewal**

Focus is dependent on the License and the need to maintain such License in good standing. Failure to comply with the requirements of the License or any failure to maintain the License would have a material adverse impact on the business, financial condition and operating results of Focus and the Company, which derives revenues from Focus. The license expires on December 31, 2020. Although management believes that Focus will continue to meet the requirements of the MOH for the extension of the License, there can be no guarantee that the MOH will extend or renew the License or, if it is extended or renewed, that it will be extended or renewed on the same or similar terms.

Should the MOH not extend or renew the License, or should it renew the License on different terms or not allow for anticipated capacity increases, the business, financial condition and results of the operations of the Group will be materially adversely affected.

**(viii) Dependence on Senior Management**

The success of the Company is dependent upon the contributions of senior management. The loss of any of these individuals, or an inability to attract, retain and motivate sufficient members of qualified senior management personnel could adversely affect its business. This risk is partially mitigated by the fact that the senior management team are significant shareholders in the Company.

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**(ix) Competition in the Industry**

There is potential that the Company will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than the Company. Because of the early stage of the industry in which IMCC operates, the Company expects to face additional competition from new entrants. If the number of users of medical cannabis in Israel increases, the demand for products 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.

There is also the potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope. Increased competition by larger, better-financed competitors with geographic advantages could materially and adversely affect the business, financial condition and results of operations of the Company.

**(x) Risks Inherent in the Agricultural Business**

The Company's business, specifically as it pertains to its relationship with Focus, involves the growing of medical cannabis, which is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as pests, plant diseases and similar agricultural risks. Although Focus grows its products indoors under climate-controlled conditions, and carefully monitors the growing conditions with trained personnel, 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 of Focus.

**(xi) Restrictions on Sales and Marketing**

The industry is in its early development stage and restrictions on sales and marketing activities imposed by the MOH, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations 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.

**(xii) Publicity or Consumer Perception**

The Company believes the medical cannabis industry is highly dependent upon consumer perception regarding the safety, efficiency and quality of the medical cannabis produced. Consumer perception of the Company'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 Company's brand and the business, results of operations, financial condition and the Company's cash flows. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for products bearing the Company's brand, and the business, results of operations, financial condition and cash flows of the Company.

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

**(xiii) 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 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 materially impact the business, financial condition, and operating results of the Company. Any ability to secure required supplies and services or to do so on appropriate terms could also have a materially adverse opinion impact on the business, financial condition, and operating results of the Company.

**(xiv) Sufficiency of Insurance**

The Company 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 will 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 Company in excess of available coverage could have a material adverse effect on the Company in terms of damages awarded and the impact and reputation of the Company.

**(xv) Potential Product Liability**

As IMCC derives a significant portion of its revenues from Focus, which is a manufacturer of products designed to be ingested or inhaled by humans. Focus products bearing the Company's brand 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 Focus products bearing the Company's brand involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination, unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of Focus products bearing the Company's brand alone or in combination with other medications or substances could occur.

The Company may be subject to various product liability claims, including, among others, that products bearing IMC's brand 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 Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Company.



**Management's Discussion and Analysis**

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There can be no assurances that the Company 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 products bearing the Company's brand.

**(xvi) Potential General Litigation**

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company become involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Company's common shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources.

**(xvii) 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 bearing IMC's brand are recalled due to an alleged product defect or for any other reason, IMCC could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall.

IMCC 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 Company 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 Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any one of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of IMCC's operations by the MOH or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

**(xviii) Management of Growth**

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, that may have a material adverse effect on the Company's business, financial condition, results of operation and prospects.

## Management's Discussion and Analysis

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### (xix) COVID-19

The current global uncertainty with respect to the spread of 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 Company's business in the coming months.

The Company has taken proactive measures throughout the COVID-19 pandemic to protect the health and safety of its employees, to continue delivering high quality medical cannabis to its patients and to maintain its balance sheet.

While the precise impact of the COVID-19 outbreak on the Company remains unknown, rapid spread of COVID-19 and declaration of the outbreak as a global pandemic has 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, the State of Israel, Germany and around the world and could result in additional precautionary measures that could impact the Company'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, which could interrupt supplies and other services from third parties upon which the Company relies, decrease demand for products, 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 Company.

### (xx) Focus' Essential Service Designation

In response to the COVID-19 pandemic, the State of Israel has implemented mandatory shut-downs of non-essential businesses to prevent the spread of COVID-19. Focus' business has been deemed an "essential service", permitting it to continue production. There is no guarantee that further measures may nevertheless require Focus to shut down or limit its operations in the State of Israel. Any disruptions to the business and operations of Focus in the event that Focus were to lose its designation as an "essential service" in the State of Israel may materially and negatively impact the business, financial condition and results of operations of the Company.

### Critical Accounting Estimates

The Company's significant accounting policies under IFRS are contained in the Interim Financial Statements (refer to Note 2 to the Interim Condensed Consolidated 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.

### New standards, interpretations and amendments

The following new accounting standards applied or adopted during the nine months ended September 30, 2020, had impact on the Interim Financial Statements:

**Management's Discussion and Analysis**

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*IFRS 3, "Business Combinations":*

In October 2018, the IASB issued an amendment to the definition of a "business" in IFRS 3, "Business Combinations" ("the Amendment"). The 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 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 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.

**Subsequent Events**

On October 8, 2020, the Company announced that it has applied to list its Ordinary shares (the "Ordinary Shares") on the NASDAQ Capital Market ("NASDAQ") under the trading symbol "IMCC". The listing on NASDAQ is subject to the satisfaction of all applicable listing and regulatory requirements, including registration of the Ordinary Shares with the United States Securities and Exchange Commission, and NASDAQ requirements and approvals. The Ordinary shares of the Company will continue to be listed on the Canadian Securities Exchange under the same trading symbol.

## Management's Discussion and Analysis

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### 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 Executive Officer ("CEO") and Chief Financial Officer ("CFO"), assessed the effectiveness of the Company's internal controls over financial reporting and concluded that as at September 30, 2020, the Company's internal control over financial reporting was effective and yet constantly seek to improve it.

During the nine months ended September 30, 2020, 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 CEO and CFO, 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.

### Additional Information

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

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**IM CANNABIS CORP.**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF SEPTEMBER 30, 2020**

(Unaudited)



**IM CANNABIS CORP.**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**As of September 30, 2020**  
**Canadian dollars in thousands**  
**(Unaudited)**  
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**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**Canadian Dollars in thousands**

	<u>Note</u>	<u>September 30, 2020</u> <u>Unaudited</u>	<u>December 31, 2019</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		\$ 9,737	\$ 13,926
Restricted cash		18	-
Trade receivables		5,135	1,810
Advances to suppliers		3,651	2,565
Other accounts receivable		405	516
Biological assets	3	2,915	52
Inventories	4	8,303	5,422
		<u>30,164</u>	<u>24,291</u>
NON-CURRENT ASSETS:			
Property, plant and equipment, net		4,815	3,392
Investments in financial assets		2,298	912
Right-of-use assets, net		970	1,023
Deferred tax assets		73	89
Intangible assets, net		1,085	889
Goodwill		305	298
		<u>9,546</u>	<u>6,603</u>
Total assets		<u>\$ 39,710</u>	<u>\$ 30,894</u>

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**Canadian Dollars in thousands**

	<u>Note</u>	<u>September 30, 2020</u> <u>Unaudited</u>	<u>December 31, 2019</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables		\$ 2,307	\$ 992
Other accounts payable and accrued expenses		1,538	1,458
Current maturities of lease liabilities		172	159
		<u>4,017</u>	<u>2,609</u>
NON-CURRENT LIABILITIES:			
Warrants measured at fair value	5	2,433	197
Deferred tax liability, net		1,781	826
Employee benefit liabilities, net		344	262
Lease liabilities		846	891
		<u>5,404</u>	<u>2,176</u>
Total liabilities		<u>9,421</u>	<u>4,785</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
	6		
Share capital and premium		36,330	25,947
Translation reserve		754	309
Reserve from share-based payment transactions		4,720	2,677
Accumulated deficit		(13,645)	(4,273)
Total equity attributable to equity holders of the Company		<u>28,159</u>	<u>24,660</u>
Non-controlling interests		<u>2,130</u>	<u>1,449</u>
Total equity		<u>30,289</u>	<u>26,109</u>
Total liabilities and equity		<u>\$ 39,710</u>	<u>\$ 30,894</u>

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



**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)**

Canadian Dollars in thousands, except per share data

	Note	Nine months ended September 30,		Three months ended September 30,	
		2020	2019	2020	2019
		Unaudited			
Revenues		\$ 10,990	\$ 6,595	\$ 5,893	\$ 2,326
Cost of revenues		4,972	3,162	2,531	1,300
Gross profit before fair value adjustments		6,018	3,433	3,362	1,026
Fair value adjustments:					
Unrealized change in fair value of biological assets		9,042	3,922	2,287	933
Realized fair value adjustments on inventory sold in the period		(5,099)	(3,152)	(2,268)	(1,322)
Total fair value adjustments		3,943	770	19	(389)
Gross profit		9,961	4,203	3,381	637
General and administrative expenses		7,223	5,125	2,197	1,852
Selling and marketing expenses		2,334	964	1,150	373
Research and development expenses		135	201	1	62
Share-based compensation		2,131	1,965	704	804
Total operating expenses		11,823	8,255	4,052	3,091
Operating loss	7	(1,862)	(4,052)	(671)	(2,454)
Finance income		427	764	1,186	469
Finance expense		(6,402)	(5,366)	-	(43)
Finance income (expenses), net	5	(5,975)	(4,602)	1,186	426
Income (loss) before income taxes		(7,837)	(8,654)	515	(2,028)
Income tax expense (benefit)		921	458	(223)	(113)
Net income (loss)		(8,758)	(9,112)	738	(1,915)
Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:					
Re-measurement gain on defined benefit plans		(32)	-	1	-
Exchange differences on translation to presentation currency		639	205	(399)	74
Total other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods		607	205	(398)	74
Other comprehensive income (loss) that will be reclassified to profit or loss in subsequent periods:					
Adjustments arising from translating financial statements of foreign operation		(95)	75	(35)	75
Total other comprehensive income (loss) that will be reclassified to profit or loss in subsequent periods		(95)	75	(35)	75
Total other comprehensive income (loss)		\$ 512	\$ 280	\$ (433)	\$ 149
Total comprehensive income (loss)		\$ (8,246)	\$ (8,832)	\$ 305	\$ (1,766)

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)**

Canadian Dollars in thousands, except per share data

	Nine months ended September 30,		Three months ended September 30,	
	2020	2019	2020	2019
Note	Unaudited			
Net income (loss) attributable to:				
Equity holders of the Company	(9,340)	(9,366)	656	(1,724)
Non-controlling interests	582	254	82	(191)
	<u>(8,758)</u>	<u>(9,112)</u>	<u>738</u>	<u>(1,915)</u>
Total comprehensive income (loss) attributable to:				
Equity holders of the Company	(8,927)	(9,191)	228	(1,653)
Non-controlling interests	681	359	77	(113)
	<u>\$ (8,246)</u>	<u>\$ (8,832)</u>	<u>\$ 305</u>	<u>\$ (1,766)</u>
Net income (loss) per share attributable to equity holders of the Company: 8				
Basic net loss per share (in CAD):	\$ (0.06)	\$ (0.08)	\$ 0.00	\$ (0.01)
Diluted net loss per share (in CAD)	\$ (0.06)	\$ (0.08)	\$ 0.00	\$ (0.01)

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

Canadian Dollars in thousands

	Attributable to equity holders of the Company					Non-controlling interests	Total equity
	Share capital and premium	Reserve for share-based payment transactions	Translation reserve	Retained earnings (deficit)	Total		
Balance as of January 1, 2020	\$ 25,947	\$ 2,677	\$ 309	\$ (4,273)	\$ 24,660	\$ 1,449	\$ 26,109
Exercise of warrants and compensation options (see Note 6b)	10,178	-	-	-	10,178	-	10,178
Exercise of options (see Note 6c)	199	(80)	-	-	119	-	119
Share-based compensation	-	2,131	-	-	2,131	-	2,131
Forfeited options	6	(8)	-	-	(2)	-	(2)
Net income (loss)	-	-	-	(9,340)	(9,340)	582	(8,758)
Other comprehensive income (loss)	-	-	445	(32)	413	99	512
Balance as of September 30, 2020 (Unaudited)	<u>36,330</u>	<u>4,720</u>	<u>754</u>	<u>(13,645)</u>	<u>28,159</u>	<u>2,130</u>	<u>30,289</u>
Balance as of January 1, 2019	7,099	-	43	3,040	10,182	1,429	11,611
Share-based compensation	-	1,952	-	-	1,952	-	1,952
Share-based compensation of subsidiary	-	-	-	-	-	76	76
Net income (loss)	-	-	-	(9,366)	(9,366)	254	(9,112)
Other comprehensive income	-	-	175	-	175	105	280
Balance as of September 30, 2019 (Unaudited)	<u>\$ 7,099</u>	<u>\$ 1,952</u>	<u>\$ 218</u>	<u>\$ (6,326)</u>	<u>\$ 2,943</u>	<u>\$ 1,864</u>	<u>\$ 4,807</u>

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

Canadian Dollars in thousands

	Nine months ended September 30,	
	2020	2019
	Unaudited	
<u>Cash provided by (used in) operating activities:</u>		
Net loss for the period	\$ (8,758)	\$ (9,112)
Adjustments for non-cash items:		
Unrealized gain on changes in fair value of biological assets	(9,042 )	(3,922)
Fair value adjustment on sale of inventory	5,099	3,152
Fair value adjustment on warrants measured at fair value	6,048	4,251
Depreciation of property, plant and equipment	493	233
Amortization of intangible assets	23	92
Depreciation of right-of-use assets	156	109
Finance expenses (income), net	(73)	351
Changes in employee benefit liabilities, net	41	56
Deferred tax, net	946	191
Share-based compensation	2,131	1,965
	<u>5,822</u>	<u>6,478</u>
<u>Changes in working capital:</u>		
Increase in trade receivables, net	(3,266)	(330)
Increase in other accounts receivable	(874)	(484)
Decrease in biological assets, net of fair value adjustments	6,181	2,781
Increase in inventories, net of fair value adjustments	(7,804)	(2,912)
Increase in trade payables	1,744	335
Increase in other accounts payable and accrued expenses	33	598
	<u>(3,986)</u>	<u>(12)</u>
Taxes paid	<u>(462)</u>	<u>(200)</u>
Net cash used in operating activities	<u>(7,384 )</u>	<u>(2,846)</u>
<u>Cash flows from investing activities:</u>		
Purchase of property, plant and equipment	(1,780)	(920)
Purchase of intangible assets	(94)	-
Investment in financial assets	(1,345)	-
Acquisition of subsidiary (schedule A)	-	(1,316)
Increase in restricted bank deposit	(18)	-
Net cash used in investing activities	\$ (3,237)	\$ (2,236)

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

Canadian Dollars in thousands

	Nine months ended September 30,	
	2020	2019
	Unaudited	
<u>Cash flow from financing activities:</u>		
Proceeds from exercise of warrants and compensation options	\$ 6,305	\$ -
Proceeds from exercise of options	119	-
Repayment of lease liability	(135)	(63)
Repayment of lease liability interest	(51)	(43)
Repayment of bank loan	-	(624)
Net cash provided by (used in) financing activities	6,238	(730)
Effect of foreign exchange on cash and cash equivalents	194	(448)
Decrease in cash and cash equivalents	(4,189)	(6,260)
Cash and cash equivalents at beginning of the period	13,926	7,591
Cash and cash equivalents at end of the period	\$ 9,737	\$ 1,331
<u>Supplemental disclosure of non-cash activities:</u>		
Additions to right-of-use assets and corresponding lease liability	\$ (107)	\$ (196)

Schedule A - Acquisition of a subsidiary:

The subsidiary's assets and liabilities at date of acquisition:		
Working capital (excluding cash and cash equivalents)	\$ -	\$ 166
Bank credit	-	(321)
Bank loan	-	(624)
Property, plant and equipment	-	702
Intangible assets	-	1,149
Goodwill	-	552
Deferred tax liability	-	(308)
	\$ -	\$ 1,316

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

**NOTE 1:- GENERAL**

a. Corporate information:

IM Cannabis Corp. (the "Company" or "IMCC") is listed on the Canadian Securities Exchange ("CSE") under the ticker symbol "IMCC". IMCC's main office is located in Kibutz Gilil-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 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.

The Company, its subsidiaries and Focus (collectively: the "Group"), operate in one reporting segment. The majority of the Group's revenues are generated from sales of medical cannabis products to customers in Israel. 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.

These financial statements have been prepared in a condensed format as of September 30, 2020, and for the three and nine months then ended (the "interim condensed consolidated financial statements"). These interim condensed consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements as of December 31, 2019, and for the year then ended and accompanying notes (the "annual consolidated financial statements").

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. In addition, global equity markets have experienced significant volatility and weakness.

To date, the COVID-19 pandemic has not had a material negative impact on the Company's results of operations. The Company, as well as its distribution channels are considered essential businesses (food and drug retailers) that continue to operate during this period. However, the duration and severity of the COVID-19 pandemic is unknown at this time and the Company is unable to predict the effect should the situation continue for a prolonged period.

**NOTE 1:- GENERAL (Cont.)**

- b. Approval of interim condensed consolidated financial statements:

These interim condensed consolidated financial statements of the Company were authorized for issue by the Board of Directors on November 26, 2020

- c. Strategic developments:

1. On December 26, 2019, the Company entered into a share purchase agreement with Xinteza API Ltd. ("Xinteza") (the "Xinteza SPA"), an Israeli company with a unique biosynthesis technology, according to which, the Company will purchase 42,114 Preferred Shares, which represents, on as-converted and fully diluted basis, 25.37% of Xinteza's outstanding share capital, for a total consideration of US\$ 1,700 thousand (\$2,298) to be paid in several installments. Through September 30, 2020, the Company paid the entire consideration. The investment in Xinteza's Preferred Shares is accounted for as a financial asset at fair value through profit or loss.
2. On January 23, 2020, IMC, the Company's wholly-owned subsidiary, signed a definitive agreements to establish a medical cannabis cultivation and processing joint venture in Greece (the "Joint Venture") with Galen Industries Single Member Societe Anonyme, a Greek company established by a consortium of investors in Greece with extensive experience in the pharmaceutical, media, finance and energy sectors ("Galen").

IMC will own 25% of the Joint Venture and the remaining 75% of the Joint Venture will be owned by Galen. Each party is committed to fund the initial capital expenditures, totaling approximately up to €8,000 thousand (approximately \$11,675 ) to fund the construction of an EU-GMP certified cultivation and processing facility in Greece. IMC will invest up to €1,500 thousand (approximately \$2,189) into the Joint Venture, with the balance funded by Galen. Execution of the Joint Venture's business plan will start immediately and construction of greenhouses as well as the EU-GMP facility is expected to begin upon receiving the Establishment Approval from the Greek medical cannabis regulatory authorities. The Joint Venture land plot size is expected to be 100,000 to 180,000 square meters (or 1,076,000 to 1,938,000 square feet).

In addition, the Joint Venture and IMC have signed a preferred supply agreement (the "Supply Agreement"). Under the Supply Agreement, IMC has the right to purchase up to 25% of the total production from the Joint Venture at a preferred price as determined in the agreement, for an initial period of five years. As of September 30, 2020, no capital expenditures have been made towards the Joint Venture given the uncertainty relating to COVID-19.

**NOTE 1:- GENERAL (Cont.)**

3. During March and April 2020, Focus entered into six medical cannabis sales agreements with 1 pharmacies in Israel, for the sale of an aggregate of approximately 33,000Kg IMC-branded products, over the next four years, starting from 2020.
4. During March and April 2020, Focus entered into four supply agreements with growers in Israel for the purchase of IMC-branded products over the next three years, starting from 2021 and subject to meeting certain milestones by the growers. A supply agreement with one of the growers was terminated as milestones under the agreement expired.
5. In July 2020, AduPharm entered into several binding medical cannabis sales agreements with the following distributors in Germany: Zur Rose Group ("Zur Rose"), Axicorp Groupremedix GmbH ("Axicorpmedix"), Canymed GmbH ("Canymed") and Materia Deutschland GmbH ("Materia"). The sales agreements entered into with Axicorpmedix and Canymed are each for a period of three-years and the sales agreements entered into with Zur Rose and Materia is for a period of one-year. These agreements amount to an aggregate of 1,525kg to be delivered in the next twelve months.
6. On July 24, 2020, Focus signed a supply agreement with Ever Green Solomon Pharma Ltd. ("Ever Green") (the "Solomon Supply Agreement") to purchase all of the medical cannabis produced by Ever Green for a period of five years with an option for Focus to extend the Solomon Supply Agreement for an additional five years, at a fixed price per gram. The finished products will be sold to pharmacies in Israel under the IMC brand.
7. On July 28, 2020, the Company established a wholly-owned subsidiary in Netherlands, IM Cannabis Holding NL. B.V (the " Holding NL"), which established an additional Dutch entity, IMC Holland B.V., in which 60% is owned by Holding NL, and the remaining 40% owned by a group of four individuals with expertise in the Dutch cannabis market (collectively: the "IMC Netherlands"). The IMC Netherlands was incorporated for the purpose of applying for a Dutch governmental tender to establish a full cannabis supply chain (the "Tender"). Under the Dutch government Tender, up to 10 licensed growers (minimum of 5) will be selected by the Dutch Minister of Healthcare and the Minister of Justice and Security, becoming the exclusive cannabis suppliers to all the coffee shops in the ten Dutch municipalities participating in the Tender. The application proposes a facility that will produce approximately 6,500Kg of cannabis annually, with finished products including flowers, hash and pre-rolls. The supply agreement pursuant to the Tender is for a period of four years, following which the Dutch government will decide as to an extension. Successful applicants are expected to be announced by the beginning of 2021 .



**NOTE 1:- GENERAL (Cont.)**

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**

a. Basis of presentation and measurement:

The interim condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting* ("IAS 34").

The interim condensed consolidated financial statements are presented in Canadian dollars and are prepared in accordance with the same accounting policies, described in the Company's annual consolidated financial statements, except for the adoption of new accounting standards identified in Note 2c.

b. Significant accounting policies:

The preparation of the Company's interim condensed consolidated financial statements under IFRS requires management to make judgements, estimates, and assumptions about the carrying amounts of certain assets and liabilities. Estimates and related assumptions are based on historical experience and other relevant factors. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis for reasonableness and relevancy. Where revisions are required, they are recognized in the period in which the estimate is revised as well as future periods that are affected.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

- c. New or amended standards effective January 1, 2020:

IFRS 3, *Business Combinations*:

In October 2018, the IASB issued an amendment to the definition of a "business" in IFRS 3, *Business Combinations* (the "Amendment"). The 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 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 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. The adoption of this Amendment is not expected to have a material effect on the consolidated financial statements.

**NOTE 3:- BIOLOGICAL ASSETS**

The Company's biological assets consist of cannabis plants. The changes in the carrying value of biological assets are as follows:

Balance at January 1, 2020	\$ 52
Production costs capitalized	1,786
Changes in fair value less cost to sell due to biological transformation	9,042
Transferred to inventory upon harvest	(7,967)
Foreign exchange translation	2
	<u>2,915</u>
Balance at September 30, 2020 (unaudited)	<u>\$ 2,915</u>

As of September 30, 2020 and December 31, 2019, the weighted average fair value less cost to sell was \$4.24 and \$2.66 per gram, respectively.

The fair value of biological assets is categorized within Level 3 of the fair value hierarchy.

The following inputs and assumptions were used in determining the fair value of biological assets:

1. Selling price per gram - calculated as the weighted average historical selling price for all strains of cannabis sold by the Group less reductions for future estimated declines, 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 a 10% increase/decrease in each input would have on the fair value of biological assets:

	September 30, 2020	December 31, 2019	10% change as at	
			September 30, 2020	December 31, 2019
Average selling price per gram of dried cannabis (in CAD)	\$ 5.50	\$ 3.39	\$ 370	\$ 6.2
Average post-harvest costs per gram of dried cannabis (in CAD)	\$ 1.26	\$ 0.73	\$ 78	\$ 0.9
Attrition rate	5%	6%	\$ 16	\$ 0.4
Average yield per plant (in grams)	108	94	\$ 291	\$ 5.2
Average stage of growth	37%	5%	\$ 291	\$ 5.2

The Company'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 4:- INVENTORIES**

The following is a breakdown of inventory at September 30, 2020 (unaudited):

	<u>Capitalized costs</u>	<u>Fair valuation adjustment, net</u>	<u>Carrying value</u>
Work in progress:			
Bulk cannabis	\$ 1,792	\$ 3,524	\$ 5,316
Finished goods:			
Packaged dried cannabis	1,047	1,755	2,802
Cannabis Oil	5	-	5
Other	180	-	180
	<u>\$ 3,024</u>	<u>\$ 5,279</u>	<u>\$ 8,303</u>

The following is a breakdown of inventory at December 31, 2019:

	<u>Capitalized costs</u>	<u>Fair valuation adjustment</u>	<u>Carrying value</u>
Work in progress:			
Bulk cannabis	\$ 693	\$ 1,596	\$ 2,289
Finished goods:			
Packaged dried cannabis	922	1,849	2,771
Other	362	-	362
	<u>\$ 1,977</u>	<u>\$ 3,445</u>	<u>\$ 5,422</u>

During the nine months ended September 30, 2020 and 2019, inventory expensed to cost of goods sold was \$10,071 and \$6,314, respectively, which included \$5,099 and \$3,152, of non-cash expense, respectively, related to the changes in fair value of inventory sold.

During the three months ended September 30, 2020 and 2019, inventory expensed to cost of goods sold was \$4,799 and \$2,622, respectively, which included \$2,268 and \$1,322, of non-cash expense, respectively, related to the changes in fair value of inventory sold.

**NOTE 5:- 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.

	<b>Fair value method</b>
<b>Financial instruments measured at fair value:</b>	
Liability for Warrants *)	Trading price on the market
<b>Financial instruments measured at amortized cost:</b>	
Cash and cash equivalents, trade receivables and other account receivables	Carrying amount (approximates fair value due to short-term nature)
Trade payables, other accounts payable and accrued expenses	Carrying amount (approximates fair value due to short-term nature)

\*) The fair value of the 2019 Warrants, as described in Note 15c to the annual consolidated financial statements, in the amount of \$2,433, as of September 30, 2020, is categorized within Level 1 of the fair value hierarchy.

Finance expense (income) for the nine months ended September 30, 2020 and 2019, include fair value adjustment of Warrants measured at fair value in the amounts of \$6,048 and \$4,251, respectively. For the three months ended September 30, 2020 and 2019, finance expenses (income) include fair value adjustment of Warrants measured at fair value in the amounts of \$(973) and \$480, respectively.

**NOTE 6:- EQUITY**

a. Composition of share capital:

	<b>September 30, 2020</b>		<b>December 31, 2019</b>	
	<b>Authorized</b>	<b>Issued and outstanding</b>	<b>Authorized</b>	<b>Issued and outstanding</b>
	<b>Number of shares</b>			
Ordinary shares without par value	<u>Unlimited</u>	<u>158,650,878</u>	<u>Unlimited</u>	<u>145,743,283</u>

Ordinary 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 6:- EQUITY (Cont.)**

b. Movements in share capital:

During the nine month period ended September 30, 2020, the Company has received \$6,305 proceeds from exercise of Warrants and Compensation options, out of which, \$6,032 received for the exercise of Warrants and Compensation options issued in May through June, 2018, with expiration dates between May through June 2020 (the "2018 Warrants"), and \$273 received for the exercise of Warrants (the "2019 Warrants") (Collectively: the "Warrants") and Compensation options (the "2019 Compensation options") issued in August 2019, with expiration dates through August 2022. A total of 12,351,295 Warrants were exercised, out of which 12,350,795 of 2018 Warrants, representing 92.1% of the total 2018 Warrants quantity, at a price of \$0.50 per Warrant and \$0.40 per Compensation option, 500 Warrants of 2019 Warrants, representing 0.01% of the total 2019 Warrants quantity, at a price of \$1.3 per Warrant.

In addition, 259,630 of 2019 Compensation options, representing 22% of the total 2019 Compensation options quantity, were exercised at a price of \$1.05 per option, to one Ordinary share and one half of Warrant (the "2019 Compensation Warrant").

As a result of the exercises above, a total of 12,610,925 Ordinary shares were issued to the Company's investors.

The Warrants which were accounted for as a liability were revalued to their fair value immediately prior to their exercise. The revaluation of the exercised Warrants in the amount of \$3,872 was recorded as finance expense (income) in the nine months period ended September 30, 2020. The carrying amount of the liability was reclassified to equity upon exercise of the Warrants. The unexercised 2018 Warrants and Compensation options expired.

c. Share option plan:

On December 19, 2018, the Board of Directors approved the "2018 Share Incentive Plan" (the "2018 Plan"), for the granting of options, shares, restricted shares and restricted share units, (together "Awards"), in order to provide incentives to Group employees, directors, consultants and/or contractors. In accordance with the 2018 Plan, a maximum of 12,250,000 Ordinary shares are reserved for issuance.

In August 2019, as part of the RTO, as described in the annual consolidated financial statements, the Company updated the 2018 Plan and set the total Ordinary shares reserved for issuance to a maximum of 10% of the Ordinary shares issued and outstanding. As of September 30, 2020, a maximum of 15,865,088 Ordinary shares are reserved for issuance.

Awards granted under the 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 twelve 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 September 30, 2020, 3,082,338 Ordinary shares are available for future grants under the 2018 plan.

**NOTE 6:- EQUITY (Cont.)**

The fair value for options granted during the nine-month period ended September 30, 2020, to the Group's employees, directors and advisors was estimated using the Black & Scholes option pricing model with the following assumptions:

Exercise price (in CAD)	\$1.00 - \$1.45
Dividend yield (%)	-
Expected life of share options (Years)	5
Volatility (%)	78% - 79%
Annual risk-free rate (%)	0.28% - 0.35%
Share price (in CAD)	\$1.23 - \$1.45
Weighted average fair value on the grant date (in CAD)	\$0.54 - \$0.76

The following table lists the number of share options and the weighted average exercise prices of share options in the 2018 Plan:

	<b>September 30, 2020</b>	
	<b>Number of options</b>	<b>Weighted average exercise price in CAD</b>
Options outstanding at the beginning of the period	11,760,000	0.43
Options granted during the period	3,420,000	1.01
Options exercised during the period *)	(296,670)	0.40
Options forfeited during the period	(2,100,580)	0.44
Options outstanding at the end of period	12,782,750	0.54

The weighted average remaining contractual life for the share options outstanding as of September 30, 2020, was 7.6 years.

\*) During the nine months ended September 30, 2020, the Company has received \$119 proceeds from exercise of 296,670 employees share options.

**NOTE 7:- SELECTED STATEMENTS OF PROFIT OR LOSS DATA**

	<b>Nine months ended September 30,</b>		<b>Three months ended September 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>Unaudited</b>			
Salaries and related expenses	\$ 4,358	\$ 2,783	\$ 1,285	\$ 749
Professional fees	\$ 3,382	\$ 804	\$ 1,167	\$ 114
Depreciation and amortization	\$ 672	\$ 436	\$ 244	\$ 174

**NOTE 8:- NET EARNINGS (LOSS) PER SHARE**

Details of the number of shares and income (loss) used in the computation of earnings per share:

	Three months ended September 30,			
	2020		2019	
	Weighted average number of shares (in thousands)	Net profit attributable to equity holders of the Company	Weighted average number of shares (in thousands)	Net loss attributable to equity holders of the Company
For the computation of basic net earnings	154,703	656	122,830 \$	(1,724)
Effect of potential dilutive Ordinary shares	24,294	-	-	-
For the computation of diluted net earnings	178,997	656	122,830 \$	(1,724)

	Nine months ended September 30,			
	2020		2019	
	Weighted average number of shares (in thousands)	Net loss attributable to equity holders of the Company	Weighted average number of shares (in thousands)	Net loss attributable to equity holders of the Company
For the computation of basic net earnings	152,836	(9,340)	122,830 \$	(9,366)
Effect of potential dilutive Ordinary shares	-	-	-	-
For the computation of diluted net earnings	152,836	(9,340 )	122,830 \$	(9,366)

**NOTE 9:- SUBSEQUENT EVENTS**

On October 8, 2020, the Company applied to list its Ordinary shares (the "Ordinary Shares") on the NASDAQ Capital Market ("NASDAQ") under the trading symbol "IMCC". The listing on NASDAQ is subject to the satisfaction of all applicable listing and regulatory requirements, including registration of the Company's Ordinary shares to the United States Securities and Exchange Commission, and NASDAQ requirements and approvals. The Ordinary shares of the Company will continue to be listed on the Canadian Securities Exchange under the same trading symbol.





#### IM Cannabis Reports 57% Sequential Increase in Consolidated Revenues, Reaches Positive Adjusted EBITDA for Q3 2020

- Consolidated revenues increased to \$5.9 million in Q3 2020, a 57% sequential increase, while realizing gross margin before fair value impacts of 57%
- The Company reached positive adjusted EBITDA of \$0.3 million
- NASDAQ listing process progressing with expected listing early 2021

*\* Currency is in CAD\$ unless specified otherwise*

**Toronto, Canada and Gili Yam, Israel, November 27, 2020** - IM Cannabis Corp. (the "Company" or "IMC") (CSE:IMCC), a multi-country operator in the medical cannabis sector with operations in Israel and across Europe, is pleased to announce its financial results for the three and nine months ended September 30, 2020.

"Our Q3 2020 results prove we can drive profitability as we create shareholder value through an international medical cannabis platform. In Germany, our sales team will continue their excellent work building the IMC brand with physicians to establish a leadership position in medical cannabis. In Israel, we expect to see increases in deliveries of IMC-branded products to pharmacies and the potential benefit of cannabis market reform toward legalization of recreational cannabis, which would represent a significant benefit for established operators. We are in a very exciting period of IMC's development as we continue to make big strides in our goal of international leadership in the medical cannabis market," said Oren Shuster, CEO of IMC.

#### Business Highlights

Highlights during the three months ended September 30, 2020:

- Consolidated revenues increased to \$5.9 million in the three months ended September 30, 2020, as compared to \$3.8 million in the three months ended June 30, 2020 (a 57% increase) and \$2.3 million in the three months ended September 30, 2019 (a 153% increase), while realizing gross margin before fair value impacts of 57%;
  - The Company earned \$0.3 million in adjusted EBITDA, marking the Company's first quarter of positive adjusted EBITDA;
  - The Company added seven new distribution partners to its German distribution network through Adjupharm GmbH ("Adjupharm"). The Company now has a total of ten partners in Germany that will help distribute a total of 1,615kg IMC-branded medical cannabis sold under binding purchase commitments;
  - Adjupharm completed the first import of medical cannabis into Germany from the Company's EU-GMP supply partner;
  - Focus Medical entered into a five-year supply agreement, with the option to extend the agreement another five years, for the production of IMC-branded medical cannabis products with a cultivator in Israel;
-

- As IMC has secured the necessary supply to fulfill its delivery obligations under its pharmacy sales agreements and support its Israeli operations, the supply agreement with Cannation announced on March 31, 2020 was terminated as milestones under the agreement expired; and
- IMC Holland B.V. ("IMC Netherlands") submitted its application to participate in the Dutch government's controlled cannabis supply chain experiment.

Highlights subsequent to September 30, 2020:

- On October 8, 2020, IMC announced that it has applied to list its common shares on the NASDAQ Capital Market ("NASDAQ") to broaden exposure to global investors and provide additional liquidity to investors. A successful application is subject to the satisfaction of all applicable listing and regulatory requirements.

#### Overview of results for the three and nine months ended September 30, 2020

IMC reported revenues of \$5.9 million for the three months ended September 30, 2020 compared to \$2.3 million for the three months ended September 30, 2019, representing an increase of 153%. The increase was due to an increase in net selling price to \$5.49 per gram (from \$2.66 per gram in Q3 2019) and an increase in sales volume to 981kg of medical cannabis from 583kg, as Focus Medical Herbs Ltd. ("Focus Medical") increased shipments of IMC-branded products under previously announced pharmacy sales agreements and IMC initiated sales in Germany through Adjupharm.

Adjusted EBITDA was \$0.3 million for the three months ended September 30, 2020, compared to a loss of \$1.1 million for the three months ended September 30, 2019. Adjusted EBITDA was impacted by the increase in revenues, an increase in gross margin before fair value impacts to 57% (from 44% in Q3 2019), and offset by increases to operating expenses, which included new marketing and corporate initiatives in both Germany and Israel.

Net income for the three months ended September 30, 2020 was \$0.7 million, compared to a net loss of \$1.9 million for the three months ended September 30, 2019. The increase in net income was due to factors impacting revenue and adjusted EBITDA, as well as the impact of financial expenses, depreciation and amortization, stock-based compensation and fair value adjustments on biological impacts.

(\$CAD thousands, except per share amounts)	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,	
	2020	2019	2020	2019	2019	2018
Revenues	\$ 10,990	\$ 6,595	\$ 5,893	\$ 2,326	\$ 9,074	\$ 5,197
Gross profit before fair value impacts in cost of sales	\$ 6,018	\$ 3,433	\$ 3,362	\$ 1,026	\$ 4,313	\$ 3,422
Gross margin before fair value impacts in cost of sales (%)	55%	52%	57%	44%	48%	66%
Net Income (Loss)	\$ (8,758 )	\$ (9,112)	\$ 738	\$ (1,915)	\$ (7,419)	\$ 2,627
Net Income (Loss) per share attributable to equity holders of the Company - Basic and Diluted (in CAD)	\$ (0.06)	\$ (0.08)	\$ 0.00	\$ (0.01)	\$ (0.06)	\$ 0.02

(\$CAD thousands)	For the nine months ended September 30,		For the three months ended September 30,	
	2020	2019	2020	2019
Operational Loss	\$ (1,862)	\$ (4,052)	\$ (671)	\$ (2,452)
Depreciation & Amortization	\$ 672	\$ 436	\$ 244	\$ 174
<b>EBITDA</b>	<b>\$ (1,190)</b>	<b>\$ (3,616)</b>	<b>\$ (427)</b>	<b>\$ (2,278)</b>
IFRS Biological assets fair value adjustments, net	\$ (3,943)	\$ (770)	\$ (19)	\$ 389
Share-based payments	\$ 2,131	\$ 1,965	\$ 704	\$ 804
Other Non-recurring costs	\$ 525	\$ 618	-	-
<b>Adjusted EBITDA (Non-IFRS)</b>	<b>\$ (2,477)</b>	<b>\$ (1,803)</b>	<b>\$ 258</b>	<b>\$ (1,085)</b>

The complete unaudited financial statements and related management's discussion and analysis for the three and nine months ended September 30, 2020, will be available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

#### About IM Cannabis Corp.

IMC is an MCO in the medical cannabis sector headquartered in Israel and with operations across Europe. Over the past decade, IMC has built its brand as a provider of premium medical cannabis products in the Israeli market. The Company has also expanded its business to offer intellectual property related services to the medical cannabis industry based on proprietary processes and technologies it developed for the production of medical cannabis.

In Europe, IMC operates through a German-based subsidiary and EU-GMP certified medical cannabis distributor - Adjupharm GmbH. IMC's European presence is also augmented by strategic alliances with various pan-European EU-GMP cultivators and distributors with the objective of capitalizing on the increased demand for medical cannabis products and bringing the IMC brand and its product portfolio to European patients.

IMC partners with renowned academic institutions and scientists as well as allocates resources and investments for the development of innovative technologies to improve the lives and medical cannabis therapies outcomes of patients around the world.

#### About Focus Medical Herbs Ltd.

Focus Medical is one of eight original licensed producers of medical cannabis in Israel and has over 10 years of experience growing high quality medical cannabis in the Israeli market. Focus Medical is an "investee" of the Company under IFRS due to the Company's "de facto control" over Focus Medical despite not having any direct or indirect ownership of it. Focus Medical has an exclusive commercial agreement with IMC to distribute its production under the IMC brand. In addition to its own capacity, Focus Medical has supply agreements with six other cultivators for additional supply using its proprietary genetics and for sale under the IMC brand.

#### Forward-Looking Information and Non-IFRS Measures

This press release contains forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "likely" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. Forward-looking information in this press release includes statements relating to the expectation of increased deliveries of IMC-branded products to pharmacies in Israel, developments in recreational cannabis reform in Israel and its potential impact on the Company, the ability of the Company to establish a leadership position in the medical cannabis market in Germany, the Company's application to list its common shares on NASDAQ, the Company receiving all required approvals in respect of its NASDAQ listing application and the commencement of trading of the Company's Common Shares on the NASDAQ following approval of its listing application, the registration of the Company's common shares with the U.S. Securities and Exchange Commission (the "SEC"), the timing of the SEC's review of the application and any delays, including but not limited to delays related to COVID-19, the expected delivery volumes under all previously announced pharmacy sales in Israel and distributions agreements in Germany, the progress and success of IMC Netherlands' application for the Dutch government's controlled cannabis supply chain experiment, and the strategic business plans of the Company.

Forward-looking information is based on assumptions that may prove to be incorrect, including but not limited to the ability of the Company to execute its business plan, the continued growth of the medical cannabis market in the countries in which the Company operates or intends to operate, the Company maintaining "de facto" control over Focus Medical in accordance with IFRS 10, Focus Medical maintaining its existing Israeli cultivation license and the expected decriminalization of cannabis in Israel. The Company considers these assumptions to be reasonable in the circumstances. However, forward-looking information is subject to known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements to differ materially from those expressed or implied in the forward-looking information. Such risks include, without limitation: the Israeli government deciding to delay or abandon the decriminalization of recreational cannabis; the bill relating to the decriminalization of recreational cannabis in Israel being rejected by Israeli parliament; any change in the political environment which would negatively affect the decriminalization of recreational cannabis in Israel; the ability of the Company to comply with applicable government regulations in a highly regulated industry; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel, Germany, Portugal, Greece or any other foreign jurisdictions in which the Company operates or intends to operate; any failure of the Company to maintain "de facto" control over Focus Medical in accordance with IFRS 10; the Company and Focus Medical having to rely on third party cannabis producers to supply the Company and Focus Medical with product to successfully fulfill previously announced sales agreements and purchase commitments; the risk that regulatory authorities in Israel may view the Company as the deemed owner of more than 5% of Focus Medical in contravention to Israeli rules restricting the ownership of Israeli cannabis cultivators and thereby jeopardizing Focus Medical's cannabis cultivation license; unexpected disruptions to the operations and businesses of the Company and/or Focus Medical as a result of the COVID-19 global pandemic or other disease outbreaks including in the event that Focus Medical were to lose its designation as an essential service in the State of Israel during the current COVID-19 outbreak; any unexpected failure of Focus Medical to renew its cultivation license with the Israeli Ministry of Health; reliance on management; inconsistent public opinion and perception regarding the use of cannabis; engaging in activities considered illegal under US federal law; political instability and conflict in the Middle East; adverse market conditions; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; currency fluctuations; competition; delays in the review of the Company's NASDAQ listing application or registration of securities with the SEC, including but not limited to delays relating to COVID-19; the Company's NASDAQ listing application being unsuccessful; and loss of key management and/or employees.

This news release includes reference to "gross margin", "EBITDA" and "Adjusted EBITDA", which are non-International Financial Reporting Standards ("IFRS") financial measures. Non-IFRS measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. The Company 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 most directly comparable IFRS measure presented by the Company in its financial statements would be gross profit before fair value adjustments divided by revenue. The Company defines EBITDA as earnings 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, depreciation of right-of-use assets, revaluation adjustments of financial assets and liabilities measured on a fair value basis and non-recurring transaction costs included in operating expenses. EBITDA and Adjusted EBITDA have no direct comparable IFRS financial measures. The Company has used or included these non-IFRS measures solely to provide investors with added insight into IMC's financial performance. Readers are cautioned that such non-IFRS measure may not be appropriate for any other purpose. Non-IFRS measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The forward-looking information contained herein are current as of the date of this press release. Except as required by law, the Company does not have any obligation to advise any person if it becomes aware of any inaccuracy in or omission from any forward-looking information, nor does it intend, or assume any obligation, to update or revise such forward-looking information to reflect new events or circumstances. Any and all forward-looking information included in this news release are expressly qualified by this cautionary statement, and except as otherwise indicated, are made as of the date of this press release.

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**IM CANNABIS CORP.**

**CODE OF BUSINESS CONDUCT AND CODE OF ETHICS**

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## IM CANNABIS CORP.

### CODE OF BUSINESS CONDUCT AND CODE OF ETHICS

#### Section 1 Purpose

It is the policy of IMCC (as defined herein) to conduct its affairs in accordance with all applicable laws, rules and regulations of the jurisdictions in which it does business.

The purpose of this Code of Business Conduct and Code of Ethics (the "**Code**") is to communicate the commitment of IMCC (as defined herein) to conducting business with integrity, honesty and respect, in compliance with applicable laws, rules, regulations and policies, and in a manner that preserves IMCC's reputation and prohibits unethical behavior and wrongdoing. This Code provides an overview of requirements, standards and expectations to guide you in carrying out your duties for, your dealings with, and when acting as a representative of, IMCC. It is not intended to cover every issue that may arise and may be supplemented by other policies that may be adopted by IMCC from time to time.

The Company encourages Representatives (as defined herein) of IMCC to talk to supervisors, managers, the general counsel of the Company (the "**General Counsel**") or other appropriate personnel when in doubt about the best course of action in a particular situation. Anyone aware of a situation that he or she believes may violate or lead to a violation of this Code should follow the guidelines under "Reporting Violations of the Code" below.

#### Section 2 Application

This Code applies to all members of the board of directors of IMCC (the "**Board**"), officers, employees, consultants, contractors and agents (collectively, "**Representatives**") of IM Cannabis Corp. and its subsidiaries worldwide and related entities (collectively, "**IMCC**" or the "**Company**"). Adherence to this Code is a condition of employment with, or of providing services to, IMCC.

Every director, officer, employee and consultant of the Company shall execute and deliver the certificate attached to this Code, indicating such person has read, fully understands and will comply fully with the provisions of this Code.

#### Section 3 Ethics and Integrity

##### 3.1 Standards of Good Professional Ethics

All of IMCC's business activities and affairs must be carried out ethically and honestly. IMCC expects all Representatives to conduct themselves with honesty and integrity and to avoid even the appearance of improper behavior; anything less is unacceptable and may be treated as a serious breach of duty.

##### 3.2 Good Ambassadorship

All Representatives are ambassadors of IMCC. All Representatives shall represent IMCC professionally, and act and communicate in a manner which upholds its good reputation and image at all times. As Representatives' actions are seen to reflect those of IMCC, all actions must reflect IMCC's policies and standards.

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### 3.3 Activities Outside the Company

Although the Company has no interest in preventing Representatives from engaging in lawful activities during nonworking hours, Representatives must make sure that their outside activities do not conflict or interfere with their responsibilities to the Company unless any such Representative has obtained prior written approval from the General Counsel.

### 3.4 Compliance with Laws, Code and Policies

All Representatives shall comply with the laws, rules and regulations of the jurisdictions where they carry out their duties and all jurisdictions where IMCC conducts its business activities. All Representatives shall comply with this Code and all IMCC policies that apply to them, including, without limitation, this Code, Stock Trading Policy, Whistleblower Policy and Procedures and Timely Disclosure and Confidentiality Policy.

The Company is subject to regulation by foreign, state and local agencies as well as the rules and regulations of all stock exchanges on which the securities of the Company are listed for trading. The Company and Representatives must comply with the regulatory requirements of these agencies and stock exchanges. Representatives are expected to take an active role by being knowledgeable about all applicable laws and regulations, attending trainings and requesting information. Representatives are required to immediately report regulatory violations, suspected regulatory violations or potentially harmful or dangerous conditions to the General Counsel.

### 3.5 Bribery

In Canada, the United States and in many other countries, it is illegal and/or contrary to applicable ethical codes, to provide, offer or accept a kickback or bribe. A kickback or bribe may be defined as any money, fee, commission, credit, gift, gratuity, loan, reward, advantage, benefit, thing of value or compensation of any kind that is provided, directly or indirectly, and that has as one of its purposes, the improper obtaining or rewarding of favorable treatment in a business transaction. IMCC's policy is that kickbacks and bribes are illegal and not allowed.

Bribery, anti-kickback or similar laws could be applicable when a Representative receives or is offered payments, gifts or gratuities that might unduly influence IMCC's business judgment or practices. Representatives must comply with this Code and all IMCC policies that apply to them and, if offered payments, gifts or other gratuities that might unduly influence the conduct of IMCC's business, such Representative should seek guidance from the General Counsel.

### 3.6 Vendors, Suppliers, Customers and other Third Parties

IMCC is committed to treating all of its vendors, suppliers, customers and other third parties fairly, honestly and courteously. Representatives are to avoid unfair buying tactics and favoritism, and never take unfair advantage of any third party through manipulation, concealment, misrepresentation of material facts or any other unfair practice. Suppliers will be selected on the basis of objective criteria, such as, without limitation, value (quality for price), price, technical excellence, service reputation and production/service capacity.

Legally, IMCC may be held liable for the actions of any third party acting on IMCC's behalf, including agents, representatives, business partners or promoters, as if IMCC had performed such actions. It is every Representative's responsibility to ensure that a compliance due diligence is performed prior to entering into business relationships with third parties. All material agreements with vendors, suppliers, customers and third parties must be in writing and reviewed or considered by the General Counsel and must specify the goods and services to be provided and the fees to be paid. Such agreements must be in line with reasonable competitive and market practices, the principles established in this Code and relevant corporate policies. Throughout the business relationship, Representatives must continuously and properly monitor such third parties to prevent misconduct.

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### 3.7 Fair Competition

Competition and antitrust laws in Canada, the United States and elsewhere are designed to protect competition. Generally speaking, the following types of topics, and any others that may limit competition, should never be discussed with a competitor (including a potential or prospective competitor): prices, pricing policy, discounts or rebates (including competitive bidding practices); costs, profits, or profit margins; terms or conditions of sale, including credit terms and return policies; division of markets, market territories, customers or sales territories; market share of any products; marketing, advertising or promotional plans; controlling, preventing or reducing the supply of any product; pricing or promotional practices of wholesalers, dealers, distributors or customers; classifying, rejecting, terminating or allocating customers; or any other non-public and/or competitively sensitive information about IMCC or a competitor.

Each Representative is responsible for making sure that his or her actions on behalf of the Company do not in any way violate or appear to violate antitrust laws or regulations. When in doubt, Representatives should seek assistance from the General Counsel.

### 3.8 Fair Dealing and Doing Business Internationally

All business dealings undertaken on behalf of IMCC, including with its security holders, customers, suppliers, competitors and Representatives, must be conducted in a manner that preserves IMCC's integrity and reputation. IMCC seeks to avoid misrepresentations of material facts, manipulation, concealment, abuse of confidential information, or any other illegal or unfair practices in all activities undertaken by or on behalf of IMCC.

The Company is committed to the highest business conduct standards wherever it operates. While no one can anticipate all the situations that may present challenges to the Company, Representatives doing business in the worldwide marketplace shall follow these general guidelines, as further discussed in this Code:

- Observe all applicable laws and regulations in Canada, the United States Germany, Israel and any other jurisdiction in which IMCC operates or conducts business;
  - Paying bribes to government officials in connection with Company business is absolutely prohibited, even if those bribes are common practice, except for facilitating payments. Representatives may not give, promise to give or authorize the giving to a foreign official, a foreign political party or official thereof or any candidate for foreign political office any money or offer, gift, promise to give or authorize the giving of anything of value to influence any act or decision, to induce such official, party or candidate to do or omit to do any act in violation of the lawful duty of such official, party or candidate or to induce such official, party or candidate to use his, her or its influence with a foreign government or agency to affect or influence any act or decision of such foreign government or agency;
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- the U.S. Foreign Corrupt Practices Act (the "FCPA") does allow for certain permissible payments to foreign officials. Specifically, the law permits "facilitating" payments, which are payments of small value to effect routine government actions such as obtaining permits, licenses, visas, mail, utilities hook-ups and the like. However, determining what a permissible "facilitating" payment is involves difficult legal judgments. Therefore, Representatives must obtain permission from the Company's General Counsel before making any payment or gift thought to be exempt from the FCPA; and
- Observe all licensing requirements and the requirements of applicable import and export control laws.

The laws governing the Company's business in foreign countries are extensive and complex, and may be different from those in Canada or the United States. The Company's services or products should be offered in accordance with the applicable local country's regulations and requirements.

### 3.9 Conflicts of Interest

A conflict of interest arises when an individual's personal interests interfere with, or appear to interfere, in any way with the interests of the Company. A conflict of interest can arise when a Representative takes actions or has interests that make it difficult to undertake and perform his or her work with the Company objectively and effectively.

Representatives shall act honestly and in good faith in discharging their duties with a view to the best interests of IMCC. Representatives shall avoid situations involving a conflict, or potential conflict, between their personal, family or business interests, and the interests of IMCC, and shall promptly disclose any such conflict, or potential conflict, to the General Counsel, who can advise the Representative as to whether or not the Company believes a conflict of interest exists.

Serving as a director of another company may create a conflict of interest. Representatives must disclose such service to the General Counsel and obtain prior approval before serving on the board of another company, whether or not such company is a competitor of the Company.

Representatives should avoid even the appearance of a conflict of interest in their relationships with competitors.

A conflict of interest also can arise because of the business activities of a Representative's close relatives. For example, a Representative may have a potential conflict of interest wherever a close relative has a significant relationship with, or has a significant financial interest in, any supplier, commercialization, development or other partner, customer or competitor of the Company.

A Representative may not make or attempt to influence any decision that could directly or indirectly benefit his or her close relative. To protect a Representative and the Company from the appearance of a conflict of interest, he or she should make appropriate disclosure of the interest to the General Counsel.

### 3.10 Investment Activities

Unless a Representative has sought and received written pre-approval from the General Counsel, such Representative may not:

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- participate in so-called "directed shares", "friends and family" and similar stock purchase programs of material customers, vendors or suppliers of the Company;
- invest in non-public companies that are, or are likely to be, material customers, vendors or suppliers of the Company; or
- invest in non-public companies in which the Company has made or is expected to make a material investment in.

### 3.11 Corporate Opportunities

Representatives are prohibited from personally taking opportunities that arise through the use of corporate property, information or position and from using IMCC property, information or position for personal gain. Representatives are also prohibited from competing with IMCC, directly or indirectly, and owe a duty to IMCC to advance the legitimate interests of the Company when the opportunity arises.

### 3.12 Gifts and Entertainment

Representatives shall perform their duties and arrange their personal business affairs in a manner that does not interfere with their independent exercise of judgment. Generally, Representatives shall not give or accept any gift, favour, entertainment, special accommodation or other items of value, to or from any vendors, suppliers, potential candidates, potential or actual business partners or other third parties except in strict compliance with this Code and with applicable law. No one working for IMCC shall accept financial compensation of any kind, nor any special discount, loan or favor, from persons, corporations or organizations having dealings or potential dealings with IMCC.

From time to time, Representatives may accept unsolicited gifts or entertainment, but only under the following conditions:

- gifts have a maximum value not exceeding C\$1,000;
- any entertainment occurs infrequently and has a maximum value not exceeding C\$1,000 per instance; and
- the offers of gifts and/or entertainment arise out of the ordinary course of business.

Representatives may entertain friends or relatives doing business with the Company provided that the entertainment is clearly not related to Company business. No expenses of such entertainment are reimbursable by the Company.

### 3.13 Charitable and Political Activities

IMCC values the culture of giving, of social engagement and of caring for others. IMCC wants to foster good relations within the communities where it operates. Representatives are encouraged to participate in local activities that address the needs of the communities in which they live and work and to participate as a private citizen in government and the political process, using their own money and their own time. It should always be clear to outside observers that these are your personal actions and not actions taken on behalf of IMCC.

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Contributions to political parties and to candidates for public office are prohibited or tightly restricted in many countries, and, where not prohibited outright, can raise corruption concerns. Accordingly, you cannot make a political or campaign contribution in the name of, or on behalf of, IMCC, or where the contribution will be associated with IMCC.

Make sure any involvement in charitable or political activities is not prohibited by other Company policies or suggestive of anything improper and do not use, without specific written authorization, any Company funds, facilities or resources to help or promote any charitable cause or political candidate or party.

#### 3.14 Public Relations

The Board and the Company's management, including the Chief Executive Officer, are responsible for all public relations, including all contact with the media. Unless specifically authorized to represent IMCC to the media, a Representative may not respond to inquiries or requests for information. This includes newspapers, magazines, trade publications, radio and television, as well as any other external sources requesting information about IMCC. If the media contacts a Representative about any topic, he or she must immediately refer the call to the General Counsel.

#### 3.15 Social Media

In order to maintain the consistency and quality of the disclosures by IMCC to its stakeholders, and to better limit the potential for leaks of confidential information or selective disclosure, Representatives should, unless authorized by the General Counsel, refrain from disclosing or discussing matters relating to IMCC on blogs, tweets, bulletin boards, social networking sites and other social media sites.

### **Section 4      Safe, Respectful and Inclusive Workplace**

#### 4.1 No Discrimination, and Harassment

IMCC is committed to providing a collegial working environment in which all individuals are treated with dignity and respect. Each individual has the right to work in a professional atmosphere which promotes equal opportunities and prohibits discriminatory practices. Any discrimination or harassment, including on the basis of age, color, creed, disability, ethnic origin, gender, marital status, national origin, political belief, race, religion, sexual orientation, gender identity, gender expression or any other characteristics protected by law, is strictly prohibited.

#### 4.2 Workplace Safety

IMCC is committed to providing a safe and healthy work environment that complies with all relevant laws and regulations. Workplace violence is not tolerated. Any misuse of alcohol or legal drugs (prescribed or un-prescribed), or the use of any illegal drugs, may jeopardize job safety and/or performance, and is prohibited in the workplace. No Representative shall enter the workplace under the influence of alcohol or such drugs that may impair safety and/or performance.

#### 4.3 Environmental

The Company must comply fully with all laws, rules and regulations of any national, federal, provincial, state, local, municipal, regional, territorial or other governmental or quasi-governmental authority in any jurisdiction in which the Company operates relating to the protection of the environment in the conduct of its business. Representatives must use, store and dispose of all hazardous materials properly and in accordance with applicable laws, rules and regulations.

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## Section 5      Safeguarding IMCC's Assets and Information

### 5.1      Protection and Proper Use of IMCC's Assets

All Representatives shall deal with IMCC's assets, including all data, information (confidential or otherwise), records, products, material, facilities, inventory, "know-how", trade secrets, trademarks, copyrights and other intellectual property, and equipment, with the strictest integrity and with due regard to the interests of the Company. The accuracy, confidentiality, privacy and security of these types of information must be maintained in order to comply with all applicable privacy laws. Similarly, Representatives must not disclose commercially confidential or otherwise sensitive information. IMCC's assets may not be used for personal gain or benefit. In addition, all Representatives must act in a manner to protect such assets from loss, damage, misuse, theft, misappropriation, disparagement and waste, and ensure that such assets are used only for legitimate business purposes.

Management of IMCC expects its Representatives to use internet access for business-related purposes (i.e., to communicate with customers and suppliers, to research relevant topics and to obtain useful business information). All existing IMCC policies apply to conduct on the internet, particularly (but not exclusively) to those policies dealing with intellectual property protection, privacy, misuse of IMCC's resources, sexual harassment, information and data security and confidentiality. All Representatives must take special care to maintain clarity, consistency and integrity of IMCC's corporate image and posture. Access to the Company's technology resources is within the sole discretion of the Company and subject to Company policies. Generally, Representatives are given access to the Company's various technologies consistent with their job functions. The Company reserves the right to limit such access by any means available to it, including revoking access altogether.

### 5.2      Confidentiality of IMCC's Information

Information is one of IMCC's key assets. It is IMCC's policy to ensure that its proprietary and confidential information, including proprietary and confidential information that has been entrusted to IMCC by others ("**Confidential Information**"), is adequately safeguarded. All Representatives are responsible for protecting Confidential Information, including information about IMCC's business, assets, opportunities, suppliers and competitors, from unauthorized advertent or inadvertent disclosure.

Representatives may not use the Company's technology resources to copy, retrieve, forward or send copyrighted materials unless they have the author's permission or are accessing a single copy only for personal reference.

Nothing contained in this Code, or any confidentiality policy of the Company, limits the Company's directors, officers, employees and others in possession of material non-public information to file a charge or complaint with a governmental regulatory agency in the United States and nothing herein limits their ability to communicate with any such agencies or otherwise participate in any investigation or proceeding that may be conducted by any such agency, including providing documents or other information, without notice to the Company.

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### 5.3 Communications

Representatives should take care to ensure that all business records and communications (including email, texts, and instant messages) are clear and accurate. Please remember that your business communications may be shared or become public through litigation, government investigation, or publication in the media. Potential risks from inaccurate or misleading statements include claims of false advertising, misrepresentation, breach of contract, securities fraud, unfair disclosure, and competition violations.

Representatives may not give an endorsement or other statement on behalf of IMCC or personal endorsement that identifies their affiliation with IMCC, except when approved by the General Counsel. In addition, Representatives may not discuss IMCC's business, including financial condition, business or financial performance, products, or business prospects with anyone, including, but not limited to, financial analysts and actual or potential investors without the prior approval of the General Counsel. All requests for a representative of IMCC to participate in a financial conference (including speaking on a panel, or attending a dinner or any event that targets the financial community) must be referred to the General Counsel for approval. If any such analysts or investors contact you, please refer such inquiries to the General Counsel.

### 5.4 Inside Information and Insider Trading Laws

Representatives are prohibited from buying or selling shares of IMCC if they are aware of material non-public information about IMCC (also referred to as "material information"). Trading in shares while in possession of non-public material information is a violation of applicable insider trading laws.

Material information can be positive or negative. Information is "material" if it would influence a reasonable investor in deciding whether to buy, sell or hold IMCC's shares or, if disclosed to the public, would reasonably be expected to have a significant effect on the market price or value of the shares. Possible examples include, but are not limited to, financial information such as consolidated sales numbers, financial projections or the Company's financial performance, the hiring or departure of key personnel, or significant inventory issues. Information is considered to be "public" one full trading day after it has been widely released to the public through a press release or by making a SEDAR, or similar, filing, giving the public markets adequate time to digest the material information.

Representatives are prohibited from disclosing inside information pursuant to the Stock Trading Policy. Only certain individuals who are authorized may publicly disclose material non-public information. Improper disclosure, even accidentally, can violate insider trading laws. Disclosing material non-public information to other people, including immediate family members or friends, or recommending the purchase or sale of IMCC's shares to others while aware of material non-public information, is known as "*tipping*" and is illegal. A person who receives the information (i.e., is "tipped") and then trades in IMCC shares or informs others of that information is also in violation of insider trading laws. More information about IMCC's trading policy can be found in the Company's Stock Trading Policy.

### 5.5 Financial Integrity and Responsibility

Representatives are expected to act responsibly and exercise sound judgment with respect to matters involving Company finances. Representatives must adhere to all applicable accepted accounting standards and practices, keep accurate, complete and timely records, submit accurate and complete reports as required, comply with IMCC's system of internal controls, and sign only those documents they believe to be correct and complete.

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IMCC will not: (i) establish any undisclosed or unrecorded funds or assets for any purpose; (ii) enter into side agreements or other informal arrangements, either written or oral; or (iii) take any actions or fail to take any actions that would cause its financial records or financial disclosure to fail to comply with generally accepted accounting principles and all applicable laws, rules and regulations. All Representatives must cooperate fully and completely with IMCC's accounting and audit teams, as well as IMCC's independent public accountants and counsel, providing them with complete and accurate information and assistance. Representatives are prohibited from coercing, manipulating, misleading or improperly influencing IMCC's internal or external auditors at any time. Representatives are prohibited from knowingly making, or causing or encouraging any other person from making, in any of IMCC's public disclosure, any false or misleading statements or any omissions of any information necessary to make the disclosure complete and accurate in all material respects.

If you suspect or observe any irregularities relating to financial integrity and responsibility, immediately report them to the General Counsel.

## **Section 6 Compliance with and Violations of The Code**

The General Counsel is responsible for reviewing and evaluating this Code at least annually and will recommend any necessary or appropriate changes to the Board for consideration.

### **6.1 Questions**

If you have any questions about how this Code should be followed in a particular case, please contact the General Counsel.

### **6.2 Reporting Violations of the Code**

All Representatives shall adhere to IMCC's commitment to conduct its business and affairs in a lawful and ethical manner. All Representatives are encouraged to talk to the General Counsel when in doubt about the best course of action in a particular situation and to report any breach or suspected breach of law, regulation, this Code or any of IMCC's corporate policies.

IMCC prohibits retaliatory action against any Representative who, in good faith, reports a possible violation of this Code. Any Representative who believes he or she has been retaliated against should promptly report it to the General Counsel.

### **6.3 Consequences of Violation of the Code**

Representatives may be required to certify their understanding of and compliance with this Code from time to time as applicable. Failure to comply with the Code may result in severe consequences, which could include internal disciplinary action or termination of employment or consulting arrangements without notice. Violation of the Code may also violate certain Canadian, United States, German, Israeli and/or other laws. If it appears a Representative may have violated such laws, the Company may refer the matter to the appropriate authorities, which could lead to legal proceedings, penalties, fines or imprisonment.

### **6.4 Waivers of the Code**

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Certain provisions of this Code require you to act, or refrain from acting, unless prior approval is received from the appropriate person. Representatives requiring approval for certain activities governed by this Code should request such approval in writing from the General Counsel. Approvals relating to executive officers and directors must be obtained from the Company's Board or Chief Executive Officer.

Waivers or exceptions to this Code will be granted only in advance and under exceptional circumstances by the General Counsel or the Chief Executive Officer. Any waiver of this Code with respect to the General Counsel or a Director or Executive Officer of IMCC may be granted only by the Board, with interested parties recused from deliberations. Any such waiver shall be disclosed to the extent and in the manner required by applicable laws or stock exchange rules.

#### 6.5 Publication of the Code

This Code, and any amendments, shall be posted on:

- The Company's website at [www.imcannabis.com](http://www.imcannabis.com); and
- SEDAR's website at [www.sedar.com](http://www.sedar.com).

This document is not an employment contract between the Company and its Representatives, nor does it modify any employment or consulting relationship with the Company.

This Code is intended to clarify the existing obligation of Representatives for proper conduct. The standards and the supporting policies and procedures may change from time to time in the Company's discretion. Representatives are responsible for knowing and complying with the current laws, regulations, standards, policies and procedures that apply to the Company's business and operations.

**The General Counsel of the Company is:** Adv. Yael Harrosh

**Address:** Kibutz Glil Yam; **E-mail:** [Yael.h@imcannabis.com](mailto:Yael.h@imcannabis.com)

**Dated:** November 26, 2020

**Approved by:** Board of Directors of the Company

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**CODE OF BUSINESS CONDUCT AND CODE OF ETHICS**

**CERTIFICATE**

I certify that I have read and fully understand IM Cannabis Corp.'s CODE OF BUSINESS CONDUCT AND CODE OF ETHICS and will comply fully with its provisions.

Per: \_\_\_\_\_  
Signature

\_\_\_\_\_  
Name

\_\_\_\_\_  
Position

\_\_\_\_\_  
Date







#### IMC Announces Results of Special Meeting and NASDAQ Listing Application Milestone

- Shareholders approved all motions, including a share consolidation required for the Company's NASDAQ Capital Market listing application
- Approval for listing on the NASDAQ expected in early 2021

**Toronto, Canada; Gili Yam, Israel - December 17, 2020** - IM Cannabis Corp. (the "**Company**" or "**IMC**") (CSE:IMCC), a multi-country operator ("**MCO**") in the medical cannabis sector with operations in Israel and across Europe, is pleased to announce that shareholders approved all of the motions put forward at its special meeting of shareholders (the "**Special Meeting**") held yesterday, which included a motion authorizing a share consolidation (the "**Share Consolidation**") of the Company's common shares (the "**Common Shares**"). If implemented, the Share Consolidation will increase the Common Share price to meet the minimum share price requirements for the proposed listing on the NASDAQ Capital Market ("**NASDAQ**"). The Company continues to advance its application for the listing of its Common Shares on the NASDAQ. Approval for listing on the NASDAQ is expected to occur in early 2021, subject to the Company's ability to meet all of the NASDAQ's original listing requirements.

#### Results of the Special Meeting

At the Special Meeting, shareholders approved a special resolution authorizing the Share Consolidation at a ratio of between three (3) and eight (8) pre-consolidation Common Shares for every one (1) post-consolidation Common Share. The Share Consolidation shall be completed as, when and if determined by the Company's board of directors. Shareholders also approved ordinary resolutions authorizing the Company's amended and restated stock option plan and the implementation of a restricted share unit plan.

Full details of the matters voted on at the Special Meeting are set out in the Company's management information circular dated November 12, 2020.

#### About IM Cannabis Corp.

IMC is an MCO in the medical cannabis sector headquartered in Israel and with operations across Europe. Over the past decade, IMC has built its brand as a provider of premium medical cannabis products in the Israeli market. The Company has also expanded its business to offer intellectual property related services to the medical cannabis industry based on proprietary processes and technologies it developed for the production of medical cannabis.

In Europe, IMC operates through a German-based subsidiary and EU-GMP certified medical cannabis distributor - Adjupharm GmbH. IMC's European presence is also augmented by strategic alliances with various pan-European EU-GMP cultivators and distributors with the objective of capitalizing on the increased demand for medical cannabis products in Europe and bringing the IMC brand and its product portfolio to European patients.

IMC partners with renowned academic institutions and scientists, as well as allocates resources and investments for the development of innovative technologies in order to improve the lives of medical cannabis users around the world.

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### ***Disclaimer for Forward-Looking Statements***

This press release contains "forward-looking information" within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "likely" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. Forward-looking information in this press release includes, without limitation, statements relating to the completion of the Share Consolidation, the listing of the Common Shares on the NASDAQ, timing on the approval of the listing of the Common Shares on the NASDAQ and the Company's business and strategic plans.

Forward-looking information is based on assumptions that may prove to be incorrect, including but not limited to the ability of the Company to execute its business plan, the continued growth of the medical cannabis market in the countries in which the Company operates or intends to operate, the Company maintaining "de facto" control over Focus Medical Herbs Ltd. ("**Focus Medical**") in accordance with IFRS 10, Focus Medical maintaining its existing Israeli cultivation license and the expected decriminalization of recreational cannabis in Israel. The Company considers these assumptions to be reasonable in the circumstances. However, forward-looking information is subject to business and economic risks and uncertainties and other factors that could cause actual results of operations to differ materially from those expressed or implied in the forward-looking information. Such risks include, without limitation: the Israeli government deciding to delay or abandon the decriminalization of recreational cannabis; the bill relating to the decriminalization of recreational cannabis in Israel being rejected by Israeli parliament; any change in the political environment which would negatively affect the decriminalization of recreational cannabis in Israel; the ability of the Company to comply with applicable government regulations in a highly regulated industry; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel, Germany, Portugal, Greece or any other foreign jurisdictions in which the Company intends to operate; any failure of the Company to maintain "de facto" control over Focus Medical in accordance with IFRS 10; the Company and Focus Medical having to rely on third party cannabis producers to supply the Company and Focus Medical with product to successfully fulfill previously announced sales agreements and purchase commitments; the ability of Focus Medical to deliver on its sales commitments; the risk that regulatory authorities in Israel may view the Company as the deemed owner of more than 5% of Focus Medical in contravention to Israeli rules restricting the ownership of Israeli cannabis cultivators and thereby jeopardizing Focus Medical's cannabis cultivation license; unexpected disruptions to the operations and businesses of the Company and/or Focus Medical as a result of the COVID-19 global pandemic or other disease outbreaks including in the event that Focus Medical were to lose its designation as an essential service in the State of Israel during the current COVID-19 outbreak; any unexpected failure of Focus Medical to renew its cultivation license with the Israeli Ministry of Health; reliance on management; inconsistent public opinion and perception regarding the use of cannabis; political instability and conflict in the Middle East; adverse market conditions; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; crop failures; litigation; currency fluctuations; competition; and loss of key management and/or employees. The Company does not undertake any obligation to update forward-looking statements except as required by applicable securities laws. Investors should not place undue reliance on forward-looking statements.

### **For more information:**

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IM Cannabis to Acquire Trichome in Landmark Transaction - Establishes Global Growth Platform and Leading Multi-Country Operator

- Combined Company will be a fully-integrated global leader in adult-use recreational and medical cannabis markets and the only MCO operating directly in Israel, the EU, and Canada, with forecast adjusted EBITDA profitability in 2021
- IMC will leverage Trichome's premium indoor cultivation to meet growing demand for premium cannabis from IMC's established international distribution platform
- The acquisition of Trichome lays the foundation for IMC's North American growth strategy, with the Trichome team bringing extensive experience in acquisitions, restructurings and operations to capitalize on consolidating a targeted list of attractively valued and highly synergistic assets
- Oren Schuster will remain CEO of the Combined Company; Michael Ruscetta and Howard Steinberg to lead the Combined Company's North American operations; Marc Lustig appointed Executive Chairman of IMC; planned NASDAQ listing of IMC expected in Q1 2021
- IMC Board and the independent members of the Trichome Board unanimously recommend the Transaction; the directors and officers of Trichome and two of its largest shareholders, Cresco Labs and Opaskawayak Cree Nation, comprising approximately 34% ownership, have entered voting support agreements

**Toronto, Canada; Glil Yam, Israel - December 30, 2020** - IM Cannabis Corp. (the "**Company**" or "**IMC**") (CSE:IMCC), a multi-country operator ("**MCO**") in the medical cannabis sector with operations in Israel and across Europe, and Trichome Financial Corp. ("**Trichome**") (CSE:TFC), are pleased to announce that they have entered into a definitive agreement (the "**Arrangement Agreement**") to combine their businesses into a global leader in adult-use recreational and medical cannabis (together, the "**Combined Company**") pursuant to a plan of arrangement to be completed under the *Business Corporations Act* (Ontario) (the "**Transaction**"). Following completion of the Transaction, the Combined Company will maintain offices in Glil Yam, Israel and Toronto, Canada, and will operate under the IM Cannabis Corp. corporate name with common shares trading on the Canadian Securities Exchange under the ticker symbol "IMCC." The Company remains on track to finalize its listing on the NASDAQ Capital Market in Q1 2021.

The Combined Company is expected to be a global cannabis production and distribution leader with increasing revenue in Israel and Germany's medical cannabis markets under the IMC brand, and in Canada's adult-use recreational market through Trichome's wholly-owned subsidiary, Trichome JWC Acquisition Corp. d/b/a JWC ("**JWC**"). The Combined Company is anticipated to benefit from each team's cross-functional brand-building and distribution expertise, which is expected to enable the Combined Company to immediately begin planning for a roll-out of JWC products in Israel and the EU. Both management teams share a prudent operating philosophy that is grounded in finding low capital, high return projects, and a focus on free cash flow generation. Strategically, there is a common goal of continuing an aggressive, synergistic and accretive acquisition strategy in North America. With continued revenue growth in all operating regions expected throughout 2021 and by maintaining a disciplined and lean cost structure, the Combined Company is forecast to be adjusted EBITDA positive in 2021.

Under the terms of the Transaction, the shareholders of Trichome will receive 0.981 common shares of IMC for each common share of Trichome (the "**Consideration**"). The Consideration was based on previously negotiated values at the time of signing the non-binding letter of intent between both parties. Based on the 30-day volume-weighted average price ("**VWAP**") of IMC common shares prior to this announcement, the implied Trichome share price of \$2.05 pursuant to the exchange ratio implies a 37% premium to the 30-day VWAP of Trichome common shares prior to this announcement. Upon the completion of the Transaction, IMC shareholders will own approximately 82% of the Combined Company and Trichome shareholders will own 18%.

## Management Commentary

"This is a transformational acquisition for IMC whereby we will truly become a global cannabis company. The acquisition of Trichome provides IMC with a secure source of premium supply to meet the large and growing international demand for IMC-branded cannabis products. Furthermore, the Transaction is expected to further strengthen our balance sheet and add a highly talented team that has done an exceptional job at restructuring JWC into an efficient operator with a curated slate of products for the Canadian adult-use recreational market, which can be further leveraged as a platform for targeted North American consolidation," said **Oren Shuster, CEO of IMC**.

Marc Lustig has transitioned from Non-Executive Chairman to Executive Chairman of IMC.

"The combination of IMC and Trichome will establish a true Multi-Country Operator just as international cannabis markets are opening up and expanding rapidly," said **Mr. Lustig**. "As a Co-founder of Trichome and the Chairman of both Trichome and IMC, I expect this combination to create a dominant player in international cannabis markets that will generate significant value for shareholders."

Michael Ruscetta and Howard Steinberg will lead the Combined Company's North American operation and will continue to develop opportunities for further consolidation of the North American cannabis sector.

**Michael Ruscetta, CEO of Trichome** added, "Combining with IMC is an exciting opportunity for everyone at Trichome. As part of a global platform, we now have access to a broader distribution network for JWC's suite of premium cannabis products in key international markets. The combination of IMC and Trichome also results in a unique platform with a strong balance sheet and access to capital to execute on future consolidation opportunities. Ultimately, this transaction paves the way for even greater profitability at JWC and the Combined Company."

**Howard Steinberg, CEO of JWC** commented, "The combination with IMC would not be possible were it not for the amazing efforts the teams on the ground have made to optimize production, reposition the JWC brand and structure our operation for sustainable profitability over the last nine months. With an accomplished partner in IMC, we now move forward together embracing the values and culture in place to further accelerate our journey."

## Strategic and Financial Highlights

The Transaction provides operational and financial benefits to both organizations, while creating one of the industry's leading global cannabis platforms. Highlights include:

**Multi-Country Operator Platform:** The Combined Company will be the only MCO with established direct operations in Israel, the EU and Canada. Its portfolio of brands includes the IMC brand of medical cannabis products and JWC's dry flower, pre-roll, hash and kief adult-use products.

**Enhanced profitability leveraging combined production and distribution capabilities:** JWC's premium indoor cultivation facility in Canada is intended to be leveraged to export through IMC's established distribution network, maximizing asset utilization and profitability. With the medical cannabis market in Israel continuing to grow and supported by the potential tailwind of legalization, the launch of sales in Germany and now increased international demand for products from the JWC operation, the Combined Company is forecast to be adjusted EBITDA positive in 2021.

**Increased scale to drive opportunistic consolidation:** Based on Trichome's proven consolidation strategy and experienced team, the Combined Company sees a significant opportunity to use JWC as a base for opportunistic and accretive consolidation in North America.

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**International team of experienced operators:** With expertise in the Israeli and German medical cannabis markets firmly established, the Transaction adds a talented team of operators in North America that have proven abilities in cultivation, sales, marketing, restructuring and mergers and acquisitions.

**Access to and cost of capital:** With IMC's NASDAQ Capital Market listing on track for Q1 2021, the Combined Company is positioned to continue optimizing its cost of capital.

#### Transaction Details

The Transaction, which is to be carried out by way of a court-approved plan of arrangement under the *Business Corporations Act* (Ontario), will require the approval of: (i) two-thirds of the votes cast by shareholders of Trichome; (ii) a majority of the aggregate principal amount of outstanding Trichome convertible debentures; and (iii) 50%+1 of the Trichome shareholders, excluding Marc Lustig and Michael Ruscetta in accordance with Multilateral Instrument 61-101, in each case at special meetings expected to take place in Q1 2021 (the "**Meetings**"). Trichome's directors and officers, Cresco Labs Inc. (CSE:CL), and Opaskawayak Cree Nation, which currently hold approximately 34% of the outstanding common shares of Trichome, have each entered into voting support agreements to vote their shares in favour of the Transaction and lock-up agreements restricting the resale of IMC common shares to be owned by such individuals upon closing of the Transaction to a staggered 1/6 release per month of such shares for a period of 6 months. Certain Trichome convertible debenture holders representing approximately 75% of the outstanding principal amount of such Trichome convertible debentures have also entered into voting support agreements in favour of the Transaction.

Completion of the Transaction will also be subject to court and regulatory approvals, which are currently expected to be received in the first half of 2021.

The Arrangement Agreement contains certain customary provisions, including covenants in respect of non-solicitation of alternative acquisition proposals for Trichome, a right to match any superior proposals for Trichome and a termination fee of \$3.5 million payable to IMC in certain circumstances.

Further details with respect to the Transaction will be included in the information circular to be mailed to Trichome shareholders in connection with the Meeting. A copy of the Arrangement Agreement and the information circular will be filed on Trichome's SEDAR profile and will be available for viewing at [www.sedar.com](http://www.sedar.com).

#### Recommendation of Trichome Board

The Board of Directors of Trichome formed a special committee of independent members (the "**Trichome Special Committee**") to review and approve the Transaction. Desjardins Capital Markets provided a fairness opinion to the Trichome Special Committee on December 29, 2020 ("**Opinion**") stating that, as of the date of such Opinion and subject to the assumptions, limitations and qualifications contained in such Opinion, the Consideration to be received by shareholders of Trichome pursuant to the Transaction is fair, from a financial point of view, to the shareholders of Trichome. Based on the Opinion and after consulting with its financial and legal advisors, among other considerations, the independent members of the Board of Directors of Trichome have unanimously: (i) determined that the Transaction is in the best interests of Trichome; (ii) resolved to recommend that Trichome shareholders vote in favor of the Transaction; and (iii) determined that the Consideration to be received by Trichome shareholders pursuant to the Transaction is fair from a financial point of view to Trichome shareholders.

#### Advisors

Cormark Securities Inc. is acting as financial advisor and Gowling WLG (Canada) LLP is acting as legal counsel to IMC. McMillan LLP is acting as legal counsel to Cormark Securities. Desjardins Capital Markets is acting as financial advisor and Torys LLP is acting as legal counsel to Trichome. Dentons Canada LLP is acting as legal counsel to Desjardins Capital Markets.

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#### **About IM Cannabis Corp.**

IMC is an MCO in the medical cannabis sector headquartered in Israel and with operations across Europe. Over the past decade, IMC has built its brand as a provider of premium medical cannabis products in the Israeli market. The Company has also expanded its business to offer intellectual property related services to the medical cannabis industry.

In Europe, IMC operates through a German-based subsidiary and EU-GMP certified medical cannabis distributor - Adjupharm GmbH. IMC's European presence is also augmented by strategic alliances with various pan-European EU-GMP cultivators and distributors with the objective of capitalizing on the increased demand for medical cannabis products in Europe and bringing the IMC brand and its product portfolio to European patients.

IMC partners with renowned academic institutions and scientists, as well as allocates resources and investments for the development of innovative technologies in order to improve the lives of medical cannabis users around the world.

#### **About Trichome Financial Corp.**

Trichome is a specialty finance company focused on providing flexible and creative capital solutions to the global legal cannabis market. Trichome was created to address the lack of credit availability in the large, growing and increasingly complex cannabis market. Trichome's experienced founders and management team have a unique edge to capitalize on proprietary deal flow and industry insight in order to drive the best risk-adjusted returns on shareholder's capital. With the recent acquisition of the assets of James E. Wagner Cultivation Corp., Trichome is focused on acquiring related assets to compliment JWC and leverage the knowledge, expertise and insights of its employees, management and founders.

For further information about Trichome please visit us at [www.trichomefinancial.com](http://www.trichomefinancial.com) or @trichomefinance on Twitter and refer to the joint information circular of Trichome and 22 Capital dated May 29, 2019 which is available on the Trichome's SEDAR profile at [www.sedar.com](http://www.sedar.com).

#### ***Disclaimer for Forward-Looking Information and Forward-Looking Financial Information***

This press release contains "forward-looking information" within the meaning of applicable Canadian securities laws about IMC's and Trichome's current expectations, estimates and projections about the future, based on certain assumptions made in light of experiences and perceptions of historical trends. Although IMC and Trichome believe that the expectations represented by such forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct.

Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "likely" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. Forward-looking information in this press release includes statements about: the timing and completion of the plan of arrangement and the acquisition of all the issued and outstanding Trichome common shares, the timing and anticipated receipt of required regulatory, court and securityholder approvals for the Transaction and other customary closing conditions; the anticipated benefits of the Transaction, including corporate, operational and financial benefits and the timing thereof, the expected adjusted EBITDA positivity of the Combined Company in 2021, the expectations regarding the legalization of adult-use recreational cannabis in Israel, the listing of IMC's common shares on the NASDAQ Capital Market and timing thereto, the composition of the Combined Company's management team following closing of the Transaction and the expected development and growth of the Combined Company's business and plans and strategies to realize such expectations.

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Developing forward-looking information involves reliance on a number of assumptions and consideration of certain risks and uncertainties, some of which are specific to IMC, Trichome and the Combined Company and others that apply to the industry generally. Such assumptions include but not limited to the ability of the Combined Company to execute its business plan, the continued growth of the medical and recreational cannabis markets in Israel, Canada, Germany and elsewhere in Europe, IMC maintaining "de facto" control over Focus Medical Herbs Ltd. ("**Focus Medical**") in accordance with IFRS 10, Focus Medical maintaining its existing Israeli cultivation license and other business permits in the State of Israel, the continuing strength and appeal of the IMC brand, future opportunistic acquisitions becoming available to the Combined Company in the North American cannabis market and the expected legalization of adult-use recreational cannabis in Israel.

The risk factors and uncertainties that could cause actual results to differ materially from the anticipated results or expectations expressed in this press release, include, without limitation: the ability of IMC and Trichome to receive, in a timely manner, the necessary regulatory, court, securityholder, stock exchange and other third-party approvals to consummate the Transaction; the ability of IMC and Trichome to satisfy, in a timely manner, the other conditions to the closing of the Transaction; the ability to complete the Transaction on the terms contemplated by the Arrangement Agreement and other agreements, including the support agreements or at all; the ability of the Combined Company to realize the anticipated benefits of the Transaction and the timing thereof; the consequences of not completing the Transaction, including the volatility of the share prices of IMC and Trichome, negative reactions from the investment community and the required payment of certain costs related to the Transaction; actions taken by government entities or others seeking to prevent or alter the terms of the Transaction; potential undisclosed liabilities unidentified during the due diligence process; the interpretation of the Transaction by tax authorities; the focus of management's time and attention on the Transaction and other disruptions arising from the Transaction; a resurgence in cases of COVID-19, which has occurred in certain locations and the possibility of which in other locations remains high and creates ongoing uncertainty that could result in restrictions to contain the virus being re-imposed or imposed on a more strict basis, including restrictions on movement and businesses; the extent to which COVID-19 impacts the global economy; the success of new COVID-19 workplace policies and the ability of people to return to workplaces; the Israeli government deciding to delay or abandon the legalization of adult-use recreational cannabis in Israel; the ability of the Combined Company to comply with applicable government regulations in a highly regulated industry; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel, Germany and other foreign jurisdictions in which the Combined Company intends to operate; risks of product liability and other safety-related liability as a result of usage of the Combined Company's cannabis products; any failure of IMC to maintain "de facto" control over Focus Medical in accordance with IFRS 10; IMC and Focus Medical having to rely on third party cannabis producers to supply IMC and Focus Medical with product to successfully fulfill previously announced sales agreements and purchase commitments; the ability of Focus Medical to deliver on its sales commitments; the risk that regulatory authorities in Israel may view IMC as the deemed owner of more than 5% of Focus Medical in contravention to Israeli rules restricting the ownership of Israeli cannabis cultivators and thereby jeopardizing Focus Medical's cannabis cultivation license; any unexpected failure of Focus Medical to renew its cultivation license with the Israeli Ministry of Health; any failure to obtain the requisite business permits in the State of Israel; reliance on management; inconsistent public opinion and perception regarding the use of cannabis; political instability and conflict in the Middle East; adverse market conditions; the ability of the Combined Company to access future financing if needed or on terms acceptable to the Combined Company; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; crop failures; litigation; currency fluctuations; increasing competition; and loss of key management and/or employees.

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Readers are cautioned that the foregoing lists of assumptions and risk factors are not exhaustive. Readers should also carefully consider the risk factors discussed in each of IMC's and Trichome's management's discussion and analysis for the year ended December 31, 2019 and management's discussion and analysis for the three months and nine months ended September 30, 2020.

This press release also contains future oriented financial outlook and financial information (collectively, "**FOFI**") within the meaning of applicable Canadian securities laws. The FOFI included herein has been approved by management of IMC as of the date hereof to demonstrate IMC's current expectations regarding the effects of the Transaction on the future financial results of the Combined Company. IMC believes that the FOFI has been prepared on a reasonable basis, reflecting best estimates and judgments, and based on a number of assumptions that IMC's management believes are reasonable under the current circumstances. However, because this information is highly subjective and subject to numerous risks, including the risks discussed above, it should not be relied on as necessarily indicative of future results. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the FOFI prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Although management of IMC has attempted to identify important risks, uncertainties and factors which could cause actual results to differ materially, there may be others that cause results not to be as anticipated, estimated or intended.

The forward looking information contained in this press release is made as of the date of hereof. Except as required by applicable securities law, IMC and Trichome undertake no obligation to update publicly or otherwise revise any forward-looking information or the foregoing lists of factors affecting those statements, whether as a result of new information, future events or changed circumstances.

#### ***Non-IFRS Measures***

This press release includes reference "EBITDA" and "adjusted EBITDA", which are non-International Financial Reporting Standards (**IFRS**) financial measures. Non-IFRS measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. IMC 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 most directly comparable IFRS measure presented by IMC in its financial statements would be gross profit before fair value adjustments divided by revenue. IMC defines EBITDA as earnings 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, depreciation of right-of-use assets, revaluation adjustments of financial assets and liabilities measured on a fair value basis and non-recurring transaction costs included in operating expenses. EBITDA and Adjusted EBITDA have no direct comparable IFRS financial measures. IMC has used or included these non-IFRS measures solely to provide investors with added insight into IMC's financial performance. Readers are cautioned that such non-IFRS measure may not be appropriate for any other purpose. Non-IFRS measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

#### **IMC Contacts:**

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**IM CANNABIS CORP.**  
and  
**TRICHOME FINANCIAL CORP.**

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**ARRANGEMENT AGREEMENT**  
**December 30, 2020**

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## ARRANGEMENT AGREEMENT

THIS AGREEMENT is dated as of December 30, 2020,

### BETWEEN:

**IM CANNABIS CORP.**, a company existing under the laws of the Province of British Columbia  
(the "**Purchaser**")

- and -

**TRICHOME FINANCIAL CORP.**, a corporation existing under the laws of the Province of Ontario  
(the "**Company**").

### CONTEXT:

- A. The Purchaser and the Company wish to propose an arrangement involving the acquisition by the Purchaser of all of the issued and outstanding common shares of the Company in exchange for Purchaser Shares;
- B. The Parties intend to carry out the transaction contemplated in this Agreement by way of a plan of arrangement under the provisions of the OBCA;
- C. The Company Board has unanimously determined (with Marc Lustig, Michael Ruscetta and Howard Steinberg, directors of the Company, declaring conflicts and abstaining from voting thereon), after receiving financial and legal advice, that the Consideration to be received by the Company Shareholders is fair, from a financial point of view, and that the Arrangement is in the best interests of the Company, and the Company Board (with Marc Lustig, Michael Ruscetta and Howard Steinberg declaring conflicts and abstaining from voting thereon) has unanimously resolved to recommend that Company Shareholders vote in favour of the Arrangement Resolution, all subject to the terms and conditions contained in this Agreement;
- D. The Purchaser has entered into the Support and Voting Agreements and the Lock-up Agreements with all of the directors and executive officers of the Company, certain Company Shareholders and (with respect to Support and Voting Agreements only), certain Company Debenture Holders, pursuant to which (among other things), such Persons have agreed to, in respect of the Support and Voting Agreements, vote all of the Company Shares held by them in favour of the Arrangement Resolution and, in respect of the Lock-up Agreements, not to dispose of Consideration Shares for a period of time following the Effective Time, in each case, on the terms and subject to the conditions set forth in such agreements;

**THEREFORE**, the Parties agree as follows:

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## ARTICLE 1 INTERPRETATION

### Section 1.1 Definitions

In this Agreement, the following terms have the following meanings:

**"Acquisition Proposal"** means, other than the transactions contemplated by this Agreement, any *bona fide* offer, proposal or inquiry (written or oral), from any Person or group of Persons acting "jointly or in concert" (other than Purchaser and/or one or more of its wholly-owned Subsidiaries), whether or not delivered to the shareholders of the Company, after the date of this Agreement relating to:

- (a) any sale or disposition (or any licence, lease, long-term supply agreement or other arrangement having the same economic effect as a sale or disposition), direct or indirect, in a single transaction or a series of related transactions, of assets (including voting, equity or other securities of Subsidiaries) or alliance, joint venture, partnership or similar transaction representing 20% or more of the consolidated assets or contributing 20% or more of the consolidated revenue of the Company and its Subsidiaries, or of 20% or more of the voting or equity securities (or rights or interests in such voting or equity securities) of any of its Subsidiaries whose assets, individually or in the aggregate, represent 20% or more of the consolidated assets of the Company and its Subsidiaries;
- (b) any direct or indirect take-over bid, exchange offer, issuance of securities or other transaction that, if consummated, would result in such Person or group of Persons acting "jointly or in concert" beneficially owning or having the right to acquire 20% or more of any class of voting or equity securities of the Company or any of its Subsidiaries (including securities convertible, exercisable or exchangeable for voting, equity or other securities of the Company or any of its Subsidiaries) on a fully-diluted basis; or
- (c) any plan of arrangement, merger, amalgamation, consolidation, share exchange, debt exchange, business combination, reorganization, joint venture, exclusive licence, partnership or similar transaction, recapitalization, liquidation, dissolution or winding up or similar transaction involving the Company or any of its Subsidiaries.

**"Agreement"** means this arrangement agreement, together with the Schedules attached hereto and the Company Disclosure Letter, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

**"Arrangement"** means an arrangement under section 182 of the OBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations to the Plan of Arrangement made in accordance with the terms of this Agreement and the provisions of the Plan of Arrangement or made at the direction of the Court in the Final Order with the prior written consent of the Company and the Purchaser, each acting reasonably.

**"Arrangement Resolution"** means the special resolution of Company Shareholders approving the Plan of Arrangement to be considered at the Company Meeting, substantially in the form of Schedule B.

**"Articles of Arrangement"** means the articles of arrangement of the Company in respect of the Arrangement required by the OBCA to be sent to the Director after the Final Order is made, which shall include the Plan of Arrangement and otherwise be in a form satisfactory to the Company and the Purchaser, each acting reasonably;

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"**Authorization**" means, with respect to any Person, any order, permit, approval, consent, waiver, licence or similar authorization of any Governmental Entity having jurisdiction over the Person.

"**Breaching Party**" has the meaning specified in Section 4.6(3).

"**Business Day**" means any day of the year, other than a Saturday, Sunday or any day on which major banks are closed for business in Toronto, Ontario.

"**Canadian Optionholder**" has the meaning specified in Section 2.7(2).

"**Certificate of Arrangement**" means the certificate of arrangement to be issued by the Director pursuant to Subsection 183(2) of the OBCA in respect of the Articles of Arrangement.

"**Change in Recommendation**" has the meaning specified in Section 7.2(1)(d)(ii).

"**Company**" has the meaning specified in the preamble.

"**Company Board**" means the board of directors of the Company, as constituted from time to time.

"**Company Board Recommendation**" has the meaning specified in Section 2.4(2).

"**Company Business**" means the business of the Company, being an investment and holding company. Through TJAC, the Company's principal Subsidiary, the Company is a licenced producer of cannabis under the *Cannabis Act* (Canada) and operates in two licenced facilities in Kitchener, Ontario. The Company is also a party to a number of secured loan transactions with various companies operating in the Canadian cannabis industry.

"**Company Business Assets**" means all tangible and intangible assets, properties, Permits, Authorizations, rights or other privileges (whether contractual or otherwise) owned (either directly or indirectly), leased, licensed, granted, loaned, operated or being developed or used, including all vendor lists, customer lists, intellectual property and related technologies, real property, fixed assets, facilities, equipment, inventories and accounts receivable, by the Company and its Subsidiaries in connection with the Company Business.

"**Company Circular**" means the notice of the Company Meeting and accompanying management information circular, including all schedules, appendices and exhibits to, and information incorporated by reference in, such management information circular, to be sent to Company Shareholders in connection with the Company Meeting, as amended, supplemented or otherwise modified from time to time in accordance with the terms of this Agreement.

"**Company Convertible Securities**" means, collectively, the Company Options, Company RSUs, Company Debentures, Company Legacy Options, Company Legacy RSUs and Company Legacy PSUs.

"**Company Data Room**" means the material contained in the virtual data room established by the Company as at 11:59 p.m. on December 29, 2020, the index of documents of which is appended to the Company Disclosure Letter.

"**Company Debentures**" means the outstanding 9.00% convertible debentures issued pursuant to the Company Debenture Certificates.

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"**Company Debenture Certificates**" means the individual certificates in respect of the Company Debentures representing an aggregate principal amount of \$6,200,000 pursuant to which the Company Debentures were issued by the Company.

"**Company Debenture Holders**" means the holders of the Company Debentures.

"**Company Disclosure Letter**" means the disclosure letter dated the date of this Agreement and delivered by the Company to the Purchaser with this Agreement.

"**Company Filings**" means all documents of the Company publicly filed under the profile of the Company on the System for Electronic Document Analysis Retrieval (SEDAR).

"**Company Financial Statements**" has the meaning specified in Schedule C.

"**Company Intellectual Property Rights**" has the meaning specified in Schedule C.

"**Company Lease Documents**" has the meaning specified in Schedule C.

"**Company Leased Properties**" has the meaning specified in Schedule C.

"**Company Legacy Equity Incentive Plan**" means the equity incentive plan of Trichome Financial Corp. (predecessor to the Company) which was assumed by the Company on April 25, 2018.

"**Company Legacy Options**" means the outstanding options to purchase Company Shares issued pursuant to the Company Legacy Equity Incentive Plan (and which are currently governed by the Company Legacy Equity Incentive Plan), as listed in the Company Disclosure Letter.

"**Company Legacy PSUs**" means the outstanding performance share units issued pursuant to the Company Legacy Equity Incentive Plan (and which are currently governed by the Company Legacy Equity Incentive Plan), as listed in the Company Disclosure Letter.

"**Company Legacy RSUs**" means the outstanding restricted share units issued pursuant to the Company Legacy Equity Incentive Plan (and which are currently governed by the Company Legacy Equity Incentive Plan), as listed in the Company Disclosure Letter.

"**Company Meeting**" means the special meeting of Company Shareholders and the special meeting of Company Debenture Holders, including any adjournment or postponement of such special meetings in accordance with the terms of this Agreement, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution and for any other purpose as may be set out in the Company Circular and agreed to in writing by the Purchaser.

"**Company Option Plan**" means the share option plan approved by the Company Shareholders on July 8, 2019.

"**Company Options**" means the outstanding options to purchase Company Shares issued pursuant to the Company Option Plan, as listed in the Company Disclosure Letter.

"**Company PRSU Plan**" means the performance share unit and restricted share unit equity incentive plan of the Company approved by the Company Shareholders on July 8, 2019.

"**Company PSUs**" means the performance share units of the Company issued pursuant to the Company PRSU Plan, of which none are outstanding.

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"**Company RSUs**" means the outstanding restricted share units of the Company issued pursuant to the Company PRSU Plan, as listed in the Company Disclosure Letter.

"**Company Shareholders**" means the registered or beneficial holders of Company Shares, as the context requires.

"**Company Shares**" means the common shares in the capital of the Company, as constituted from time to time.

"**Company Termination Fee**" has the meaning specified in Section 8.2(2).

"**Company Termination Fee Event**" has the meaning specified in Section 8.2(2).

"**Confidentiality Agreement**" means the mutual non-disclosure agreement dated July 5, 2020 between the Company and the Purchaser.

"**Consideration**" means the consideration to be received by Company Shareholders pursuant to the Plan of Arrangement as consideration for their Company Shares, consisting of 0.981 of a Purchaser Share for each Company Share, subject to adjustment in the manner and in the circumstances contemplated in Section 2.10 of this Agreement, on the basis set out in the Plan of Arrangement.

"**Consideration Shares**" means the Purchaser Shares to be issued as the Consideration pursuant to the Arrangement.

"**Constituting Documents**" means notices of articles, articles of incorporation, amalgamation, or continuation, as applicable, and articles or by-laws, as applicable, and all amendments to such articles or by-laws.

"**Contract**" means any legally binding agreement, commitment, contract, franchise, licence, obligation or undertaking (written or oral) to which any Party or any of its Subsidiaries is a party or by which it or any of its Subsidiaries is bound or affected or to which any of their respective properties or assets is subject.

"**Court**" means the Ontario Superior Court of Justice (Commercial List), or other court as applicable.

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

"**Depository**" means such Person as the Purchaser may appoint to act as depository for Company Shares in relation to the Arrangement, with the approval of the Company, acting reasonably.

"**Director**" means the Director appointed pursuant to Section 278 of the OBCA.

"**Dissent Rights**" means the rights of dissent of Company Shareholders in respect of the Arrangement Resolution as described in the Plan of Arrangement.

"**Effective Date**" means the date shown on the Certificate of Arrangement giving effect to the Arrangement.

"**Effective Time**" means 12:01 a.m. on the Effective Date, or such other time as the Parties agree to in writing before the Effective Date.

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**"Employee Plans"** means all health, welfare, supplemental unemployment benefit, change of control, bonus, profit sharing, option, insurance, compensation, incentive, incentive compensation, deferred compensation, share purchase, share compensation, disability, pension, vacation, severance or termination pay, retirement or retirement savings plans or other employee benefit plans, policies, trusts, funds, agreements, or arrangements for the benefit of employees, former employees, directors or former directors of a Party or any of its Subsidiaries, which are maintained by or binding upon such Party or any of its Subsidiaries or in respect of which such Party or any of its Subsidiaries has an actual or contingent liability excluding all obligations for severance and termination pursuant to a statute.

**"Environmental Laws"** means all Laws and agreements with Governmental Entities and all other statutory requirements relating to public health or the protection of the environment and all Authorizations issued pursuant to such Laws, agreements or other statutory requirements.

**"Fairness Opinion"** means an opinion of the Financial Advisor (delivered orally and subsequently in writing) to the effect that, as of the date of such opinion, the Consideration to be received by Company Shareholders is fair, from a financial point of view, to such holders.

**"Final Order"** means the final order of the Court after a hearing upon the fairness of the terms and conditions of the Arrangement, in a form acceptable to the Company and the Purchaser, each acting reasonably, approving the Arrangement, as such order may be amended by the Court (with the consent of both the Company and the Purchaser, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or dismissed, as affirmed or as amended (provided that any such amendment is acceptable to both the Company and the Purchaser, each acting reasonably) on appeal.

**"Financial Advisor"** means Desjardins Securities Inc., financial advisor to the Special Committee.

**"Focus"** means Focus Medical Herbs Ltd.

**"Governmental Entity"** means (i) any international, multinational, national, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, commissioner, board, bureau, ministry, agency or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the above, (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing or (iv) any stock exchange, including the CSE.

**"IFRS"** means International Financial Reporting Standards, as issued by the International Accounting Standards Board, applicable as at the date on which the calculation is made or required to be made, applied on a consistent basis.

**"Indemnified Persons"** has the meaning specified in Section 8.7(1).

**"Intellectual Property"** means domestic and foreign: (i) patents, applications for patents and resissues, divisions, continuations, renewals, extensions and continuations-in-part of patents or patent applications; (ii) proprietary and nonpublic business information, including inventions (whether patentable or not), invention disclosures, improvements, discoveries, trade secrets, confidential information, know-how, methods, processes, designs, technology, technical data, schematics, formulae and customer lists, and documentation relating to any of the foregoing; (iii) copyrights, copyright registrations and applications for copyright registration; (iv) trade names, business names, corporate names, domain names, website names and world wide web addresses, common law trade-marks, trade-mark registrations, trade mark applications, trade dress and logos, and the goodwill associated with any of the foregoing; (v) Software; and (vi) any other intellectual property and industrial property.

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**"Interim Order"** means the interim order of the Court contemplated by Section 2.2, in a form acceptable to the Company and the Purchaser, each acting reasonably, providing for, among other things, the calling and holding of the Company Meeting, as such order may be amended by the Court with the consent of the Company and the Purchaser, each acting reasonably.

**"Key Consents/Waivers"** means the consents and/or waivers to be given or obtained, and other steps to be taken, in relation to certain Material Contracts and Permits as specified in Section 6.2(7) of the Company Disclosure Letter.

**"Law"** means, with respect to any Person, any and all applicable law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, notice, judgment, decree, ruling or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, as amended.

**"Lien"** means any mortgage, charge, pledge, hypothec, security interest, prior claim, encroachments, option, right of first refusal or first offer, occupancy right, covenant, assignment, lien (statutory or otherwise), defect of title, or restriction or adverse right or claim, or other third party interest or encumbrance of any kind, in each case, whether contingent or absolute.

**"Lock-up Agreements"** means the lock-up agreements dated the date hereof between the Purchaser and each of the directors and executive officers of the Company, as well as certain other Company Shareholders.

**"Matching Period"** has the meaning specified in Section 5.4(1)(e).

**"Material Adverse Effect"** means, in respect of any Party, as applicable, any change, event, occurrence, effect, state of facts or circumstance that, individually or in the aggregate with other changes, events, occurrences, effects, state of facts or circumstances, is or would reasonably be expected to be material and adverse to the business, operations, results of operations, assets, properties, capitalization, financial condition, liabilities (contingent or otherwise) or cash flows of a Party and its Subsidiaries, taken as a whole, except any such change, event, occurrence, effect, state of facts or circumstance resulting from or arising in connection with:

- (a) any change generally affecting the industries in which the Party and its Subsidiaries operate;
  - (b) any change in general economic, business, regulatory, political or market conditions or in financial or capital markets in Canada the United States, Germany or Israel;
  - (c) any adoption, proposal, implementation or change in Law or any interpretation of Law by any Governmental Entity;
  - (d) any change, effect, event or development arising from or out of any change or proposed change in Law, IFRS or accounting rules or the interpretation thereof applicable to the industries or markets in which the Party or any of its Subsidiaries operate (and any changes resulting therefrom);
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- (e) any act of terrorism or any outbreak of hostilities or war (or any escalation or worsening thereof), riots, insurrection, civil disorder, military conflicts, political instability or other armed conflict or any governmental response to any of the foregoing, in each case, whether occurring within or outside of Canada, the United States, Germany or Israel;
- (f) any natural disaster, pandemic, outbreaks of illness (including the COVID-19 pandemic) or public health emergencies as declared by the World Health Organization (and the worsening thereof) or other acts of God;
- (g) any change, effect, event or development arising from or out of climatic or other natural events or conditions (including drought and other weather conditions and any natural disaster);
- (h) any litigation or claim threatened or initiated against a Party or any of its Subsidiaries in respect of the transactions contemplated by this Agreement;
- (i) any change in the market price or trading volume of any securities of the Party (provided, however, that the causes underlying such failure may be considered to determine whether such causes constitute a Material Adverse Effect);
- (j) the failure of the Party to meet any internal or published projections, forecasts, guidance or estimates of revenues, earnings or cash flow for any period ending on or after the date of this Agreement (provided, however, that the causes underlying such failure may be considered to determine whether such causes constitute a Material Adverse Effect);
- (k) the announcement of this Agreement or the transactions contemplated hereby;
- (l) any action taken (or omitted to be taken) by the Party that is consented to by the other Party expressly in writing or that is taken (or omitted to be taken) upon the written request of the other Party; or
- (m) any action taken by the Party or any of its Subsidiaries which is required to be taken pursuant to this Agreement,

provided, however, that with respect to clauses (a) through to and including (f), such matter does not have a materially disproportionate effect on the Party and its Subsidiaries, taken as a whole, relative to other comparable companies and entities operating in the industries in which the Party and its Subsidiaries operate, and unless expressly provided in any particular section of this Agreement, references in certain sections of this Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative or interpretive for purposes of determining whether a "Material Adverse Effect" has occurred.

**"Material Contract"** means any Contract: (i) that if terminated or modified or if it ceased to be in effect, would reasonably be expected to have a Material Adverse Effect with respect to the Company; (ii) relating directly or indirectly to the guarantee of any liabilities or obligations or to indebtedness for borrowed money (in each case whether incurred, assumed, guaranteed or secured by any asset) in excess of \$250,000 in the aggregate; (iii) restricting, or which may in the future restrict, the incurrence of indebtedness by the Company or any of its Subsidiaries (including by requiring the granting of an equal and rateable Lien) or the incurrence of any Liens on any properties or assets of the Company or any of its Subsidiaries, or restricting, or which may in the future restrict, the payment of dividends by the Company or any of its Subsidiaries; (iv) providing for the establishment, investment in, organization, formation, or governance of any joint venture, limited liability company, strategic alliance, partnership or sharing of profits, revenue or proprietary information or similar arrangement that is material to the Company and its Subsidiaries; (v) that creates an exclusive dealing arrangement or right of first offer or refusal between the Company and any other Person; (vi) providing for the purchase, sale or exchange of, or option to purchase, sell or exchange, any property or asset where the purchase or sale price or agreed value or fair market value of such property or asset exceeds \$250,000; (vii) that requires the consent of any other party to the Contract to a change of control of the Company or any of its Subsidiaries; (viii) that is with any Person with whom the Company does not deal at arm's length within the meaning of the Tax Act, other than a wholly-owned Subsidiary; (ix) that constitutes a hedge contract, futures contract, swap contract, option contract or similar derivative Contract; (x) that constitutes an amendment, supplement, or modification in respect of any of the foregoing; (xi) in full force and effect, pursuant to which the Company or any of its Subsidiaries may be required to pay, or expects to receive, amounts in excess of \$250,000 in any 12 month period; (xii) that limits or restricts in any material respect (A) the ability of the Company or any of its Subsidiaries to engage in any line of business or carry on business in any geographic area, (B) the ability of the Company or any of its Subsidiaries to solicit or hire any Person, or (C) the scope of Persons to whom the Company or any of its Subsidiaries may sell products or deliver services; (xiii) that gives another Person the right to purchase or licence an unlimited quantity or volume of, or enterprise-wide scope of use of, the Company's products or services (or licenses to the Company's products or services) for a fixed aggregate price at no additional charge, or under which the Company grants most-favoured customer pricing, rights of first refusal or similar rights or terms to any Person; or (xiv) that remains in full force and effect and has been filed with the applicable Securities Authorities as a Material Contract in accordance with applicable Securities Laws.

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"**MI 61-101**" means Multilateral Instrument 61-101 -*Protection of Minority Shareholders in Special Transactions*

"**Misrepresentation**" means an untrue statement of a material fact or an omission to state a material fact required or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made.

"**Money Laundering Laws**" has the meaning specified in Schedule C.

"**Notice**" has the meaning specified in Section 8.4.

"**OBCA**" means the *Business Corporations Act* (Ontario) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time.

"**Officer**" has the meaning specified in the *Securities Act* (Ontario).

"**Ordinary Course**" means, with respect to an action taken by a Party or any Subsidiary, that such action is consistent with the past practices of such Party or such Subsidiary and is taken in the ordinary course of the normal day-to-day operations of the business of such Party or such Subsidiary, or as commercially reasonable in light of changed circumstances of such Party or such Subsidiary, but excludes non-arm's length transactions.

"**Outside Date**" means April 30, 2021, or such later date as may be agreed to in writing by the Parties, provided that: (i) either Party (provided it is not then in breach of this Agreement in any material respect) shall have the right to postpone the Outside Date for up to two (2) thirty (30) day periods by giving written notice to the other Party where the only condition to closing that is incapable of being satisfied as of such Outside Date (prior to such postponement) is the obtaining of any required Regulatory Approval relating to the licences held by TJAC pursuant to the *Cannabis Act* (Canada); and (ii) where the Effective Date has not occurred by the Outside Date (as may be postponed under paragraph (i)) due to a situation or circumstance arising out of, or in connection with, the COVID-19 pandemic, then either Party, provided it is not in breach of this Agreement in any material respect, may, on written notice to the other Party, extend the Outside Date by a period of thirty (30) days; provided that, in either of paragraphs (i) and (ii), in no event shall the Outside Date be postponed or extended without the prior written consent of the Purchaser (such consent not to be unreasonably withheld) to a date later than June 30, 2021; and provided further that the latest Outside Date (as postponed or extended) shall be September 30, 2021, except as may be further postponed or extended with the prior written consent of the Purchaser (in its sole discretion).

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"**Parties**" means the Company and the Purchaser and "**Party**" means either of them.

"**Permit**" means any licence, permit, certificate, consent, order, grant, approval, agreement, classification, restriction, registration or other Authorization of, from or required by any Governmental Entity including, but not limited, pursuant to the *Cannabis Act* (Canada).

"**Permitted Liens**" means, in respect of the Company or any of its Subsidiaries, any one or more of the following:

- (a) minor title defects or irregularities or servitudes, easements, restrictions, encroachments, covenants, rights of way and other similar rights or restrictions in real property or any interest therein, whether registered or unregistered, provided the same are not of such nature as to materially impair the operation or enjoyment of such real property;
- (b) Liens for Taxes which (i) are not delinquent; or (ii) are being contested in good faith by appropriate proceedings and for which adequate provisions have been made in accordance with IFRS;
- (c) inchoate or statutory Liens of contractors, subcontractors, mechanics, workers, suppliers, materialmen, carriers and others in respect of the construction, maintenance, repair or operation of Company Business Assets, provided that such Liens are incurred in the Ordinary Course and related to obligations not due or delinquent, are not registered against title to any Company Business Assets, and in respect of which adequate holdbacks are being maintained as required by applicable Law;
- (d) the right reserved to or vested in any Governmental Entity by any statutory provision or by the terms of any lease, licence, franchise, grant or permit of the Company or any of its Subsidiaries, to terminate any such lease, licence, franchise, grant or permit, or to require annual or other payments as a condition of their continuance; and
- (e) the Liens listed and described in the Company Disclosure Letter.

"**Person**" includes any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative, government (including Governmental Entity), syndicate or other entity, whether or not having legal status.

"**Plan of Arrangement**" means the plan of arrangement, substantially in the form of Schedule A, subject to any amendments or variations to such plan made in accordance with Section 8.1 of this Agreement or Article 5 of the Plan of Arrangement, or made at the direction of the Court in the Final Order with the prior written consent of the Company and the Purchaser, each acting reasonably.

"**Purchaser**" has the meaning specified in the preamble.

"**Purchaser Board**" means the board of directors of the Purchaser as constituted from time to time.

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**"Purchaser Business"** means the business of the Purchaser providing intellectual property and services to licensed cannabis producers in Israel and internationally, as well as the business of Focus, a licenced medical cannabis producer in Israel with whom the Purchaser has exclusive commercial agreements.

**"Purchaser Data Room"** means the material contained in the virtual data room established by the Purchaser as at 11:59 p.m. on December 29, 2020, the index of documents of which is appended to the Purchaser Disclosure Letter.

**"Purchaser Disclosure Letter"** means the disclosure letter dated the date of this Agreement and delivered by the Purchaser to the Company with this Agreement.

**"Purchaser Filings"** means all documents of the Purchaser publicly filed under the profile of the Purchaser on the System for Electronic Document Analysis and Retrieval (SEDAR) since October 11, 2019.

**"Purchaser Financial Statements"** has the meaning specified in Schedule D.

**"Purchaser Intellectual Property Rights"** had the meaning specified in Schedule D.

**"Purchaser Shares"** means the common shares in the authorized share structure of the Purchaser.

**"Regulatory Approval"** means any consent, waiver, permit, exemption, review, order, decision or approval of, or any registration and filing with, any Governmental Entity, or the expiry, waiver or termination of any waiting period imposed by Law or a Governmental Entity, in each case required in connection with the Arrangement and as specified in the Company Disclosure Letter.

**"Representative"** has the meaning specified in Section 5.1(1).

**"Required Approval"** has the meaning specified in Section 2.2(1)(c).

**"Sanctions"** has the meaning specified in Schedule C.

**"Section 3(a)(10) Exemption"** means the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof.

**"Securities Authorities"** means the Ontario Securities Commission and the applicable securities commission or securities regulatory authority of each of the other provinces and territories of Canada.

**"Securities Laws"** means (a) the *Securities Act* (Ontario) and any other applicable provincial securities Laws, (b) the U.S. Securities Act, the U.S. Exchange Act and the rules and regulations promulgated thereunder, to the extent applicable, and (c) the policies, rules and regulations of the CSE.

**"Software"** means computer software and programs (both source code and object code form), all proprietary rights in the computer software and programs and all documentation and other materials related to the computer software and programs.

**"Superior Proposal"** means any unsolicited written Acquisition Proposal from a Person who is an arm's length third party made after the date of this Agreement: (i) to acquire all of the outstanding Company Shares not beneficially owned by such arm's length third party or all or substantially all of the assets of the Company on a consolidated basis; (ii) that complies with Securities Laws in all material respects and did not result from or involve a breach of Article 5; (iii) that is reasonably capable of being completed without undue delay, taking into account all financial, legal, regulatory and other aspects of such proposal and the Person making such proposal; (iv) that is not subject to any financing condition and in respect of which adequate arrangements have been made to ensure that the required funds or other consideration will be available to effect payment in full for all of the Company Shares or assets, as the case may be; (v) is not subject to any due diligence or access condition in excess of five (5) Business Days; and (vi) that the Company Board (or committee thereof, as applicable) determines, in its good faith judgment, after receiving the advice of its outside legal and financial advisors and after taking into account all the terms and conditions of the Acquisition Proposal, including all legal, financial, regulatory and other aspects of such Acquisition Proposal and the party making such Acquisition Proposal, would, if consummated in accordance with its terms, but without assuming away the risk of non-completion, result in a transaction which is more favourable, from a financial point of view, to Company Shareholders than the Arrangement (including any amendments to the terms and conditions of the Arrangement proposed by the Purchaser pursuant to Section 5.4(2)).

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"**Superior Proposal Notice**" has the meaning specified in Section 5.4(1)(c).

"**Support and Voting Agreements**" means each of the support and voting agreements dated the date hereof between the Purchaser and each of the directors and executive officers of the Company, certain other Company Shareholders and certain Company Debenture Holders.

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations promulgated thereunder, each as amended.

"**Tax Returns**" means any and all returns, reports, declarations, elections, notices, forms, designations, filings, and statements (including estimated tax returns and reports, withholding tax returns and reports, and information returns and reports) filed or required to be filed in respect of Taxes.

"**Taxes**" means (i) any and all taxes, duties, fees, excises, premiums, assessments, imposts, levies and other charges or assessments in the nature of a tax imposed by any Governmental Entity, whether computed on a separate, consolidated, unitary, combined or other basis, including those levied on, or measured by, or described with respect to, income, gross receipts, profits, gains, windfalls, capital, capital stock, production, recapture, transfer, land transfer, licence, gift, occupation, wealth, environment, net worth, indebtedness, surplus, sales, goods and services, harmonized sales, provincial sales, use, value-added, excise, special assessment, stamp, withholding, business, franchising, real or personal property, health, employee health, payroll, workers' compensation, employment or unemployment, severance, social services, social security, education, utility, surtaxes, customs, import or export, and including all licence and registration fees and all employment insurance, health insurance and government pension plan premiums or contributions; (ii) all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Entity on or in respect of amounts of the type described in clause (i) above or this clause (ii); (iii) any liability for the payment of any amounts of the type described in clauses (i) or (ii) as a result of being a member of an affiliated, consolidated, combined or unitary group for any period; and (iv) any liability for the payment of any amounts of the type described in clauses (i) or (ii) as a result of any express or implied obligation to indemnify any other Person or as a result of being a transferee or successor in interest to any party.

"**Terminating Party**" has the meaning specified in Section 4.6(3).

"**Termination Notice**" has the meaning specified in Section 4.6(3).

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"**TJAC**" means Trichome JWC Acquisition Corp."

"**TJAC Incentive Plan**" means the equity incentive plan of TJAC implemented on August 28, 2020.

"**TJAC Options**" means the outstanding options to acquire common shares in the capital of TJAC, pursuant to the TJAC Incentive Plan.

"**U.S. Exchange Act**" means the United States *Securities Exchange Act of 1934*, as amended, and the rules and regulations promulgated thereunder.

"**U.S. Securities Act**" means the United States *Securities Act of 1933*, as amended, and the rules and regulations promulgated thereunder.

"**Wilful Breach**" of any representation, warranty or covenant of the Company means that a senior officer of the Company (1) had actual knowledge that a representation or warranty of the Company was materially false when made or (2) as to a covenant herein, directed or allowed the Company or its affiliates to take an action, fail to take an action or permit an action to be taken or occur that he or she knew at such time constituted a material breach of a covenant herein by the Company.

## **Section 1.2 Certain Rules of Interpretation**

- (1) **Gender, etc.** In this Agreement, words signifying the singular number include the plural and vice versa, and words signifying gender include all genders.
  - (2) **Including.** Every use of the words "including" or "includes" in this Agreement is to be construed as meaning "including, without limitation" or "includes, without limitation", respectively.
  - (3) **Divisions and Headings.** The division of this Agreement into Articles and Sections, the insertion of headings and the inclusion of a table of contents are for convenience of reference only and do not affect the construction or interpretation of this Agreement.
  - (4) **Articles, Sections, etc.** References in this Agreement to an Article, Section or Schedule are to be construed as references to an Article, Section or Schedule of or to this Agreement unless otherwise specified.
  - (5) **Time Periods.** Unless otherwise specified in this Agreement, time periods within which or following which any calculation or payment is to be made, or action to be taken, will be calculated by excluding the day on which the period begins and including the day on which the period ends. If the last day of a time period is not a Business Day, the time period will end on the next Business Day.
  - (6) **Statutory Instruments.** Unless otherwise specified, any reference in this Agreement to any statute includes all regulations and subordinate legislation made under or in connection with that statute at any time, and is to be construed as a reference to that statute as amended, modified, restated, supplemented, extended, re-enacted, replaced or superseded at any time.
  - (7) **Knowledge.** Where any representation or warranty is expressly qualified by reference to the knowledge of the Company, it is deemed to refer to the actual knowledge, after making reasonable inquiries regarding the relevant matter, of Michael Ruscetta, Howard Steinberg and Karl Grywachski.
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Where any representation or warranty is expressly qualified by reference to the knowledge of the Purchaser, it is deemed to refer to the actual knowledge, after making reasonable inquiries regarding the relevant matter, of Oren Shuster, Roy Kait and Shai Shemesh.

- (8) **Time of Day.** Unless otherwise specified, references to time of day or date mean the local time or date in the City of Toronto, in the Province of Ontario.
- (9) **Payment and Currency.** Unless otherwise specified, any money to be advanced, paid or tendered by a Party under this Agreement must be advanced, paid or tendered by bank draft, certified cheque or wire transfer of immediately available funds payable to the Person to whom the amount is due. Unless otherwise specified, the word "dollar" and the "\$" sign refer to Canadian currency, and all amounts to be advanced, paid, tendered or calculated under this Agreement are to be advanced, paid, tendered or calculated in Canadian currency.
- (10) **Capitalized Terms.** All capitalized terms used in any Schedule or in the Company Disclosure Letter have the meanings ascribed to them in this Agreement.
- (11) **Accounting Terms.** Unless otherwise specified herein, all accounting terms are to be interpreted in accordance with IFRS and all determinations of an accounting nature in respect of either Party required to be made shall be made in a manner consistent with IFRS.
- (12) **Consent.** If any provision requires approval or consent of a Party and such approval or consent is not delivered within the specified time limit, the Party whose consent or approval is required shall be conclusively deemed to have withheld its approval or consent.
- (13) **Affiliates and Subsidiaries.** For the purpose of this Agreement, a Person is an "affiliate" of another Person if one of them is a Subsidiary of the other or each one of them is controlled, directly or indirectly, by the same Person. A "Subsidiary" means a Person that is controlled directly or indirectly by another Person and includes a Subsidiary of that Subsidiary. A Person is considered to "control" another Person if: (i) the first Person beneficially owns or directly or indirectly exercises control or direction over securities of the second Person carrying votes which, if exercised, would entitle the first Person to elect a majority of the directors of the second Person, unless that first Person holds the voting securities only to secure an obligation, or (ii) the second Person is a partnership, other than a limited partnership, and the first Person holds more than 50% of the interests of the partnership, or (iii) the second Person is a limited partnership, and the general partner of the limited partnership is the first Person.

#### **Section 1.3 Schedules**

- (1) The schedules attached to this Agreement and the Company Disclosure Letter form an integral part of this Agreement for all purposes of it.
- (2) The Company Disclosure Letter itself and all information contained in it is confidential information and may not be disclosed except in accordance with the terms of the Confidentiality Agreement.

### **ARTICLE 2 THE ARRANGEMENT**

#### **Section 2.1 Arrangement**

The Company and the Purchaser agree that the Arrangement will be implemented in accordance with and subject to the terms and conditions of this Agreement and the Plan of Arrangement. Without limitation to the foregoing, at the Effective Time, the Plan of Arrangement shall become effective with the result that among other things, the Purchaser shall become the holder of all of the outstanding Company Shares.

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**Section 2.2 Interim Order**

- (1) As soon as reasonably practicable after the date of this Agreement, but in any event on or before February 15, 2021, the Company shall apply to the Court in a manner reasonably acceptable to the Purchaser pursuant to Section 182 of the OBCA and, in cooperation with the Purchaser, prepare, file and diligently pursue a motion for the Interim Order, which must provide, among other things:
- (a) for the persons and classes of persons to whom notice is to be provided in respect of the Arrangement and the Company Meeting and for the manner in which such notice is to be provided;
  - (b) for confirmation of the record date for the Company Meeting referred to in Section 2.3(1)(c);
  - (c) that the required level of approval (the **Required Approval**) for the Arrangement Resolution shall be: (i) 66<sup>2/3</sup>% of the votes cast on the Arrangement Resolution by Company Shareholders present in person or by proxy at the Company Meeting; (ii) the affirmative vote of the holders of Company Debentures on the Arrangement Resolution representing a majority of the aggregate principal amount of the Company Debentures; and (iii) any minority approval required by MI 61-101, if applicable; and (iv) any other shareholder approvals required by the CSE;
  - (d) that, in all other respects, the terms, restrictions and conditions of the Company's Constatting Documents, including quorum requirements and all other matters, shall (unless varied by the Interim Order) apply in respect of the Company Meeting;
  - (e) for the grant of the Dissent Rights only to those Company Shareholders who are registered Company Shareholders as contemplated in the Plan of Arrangement;
  - (f) for the notice requirements with respect to the presentation of the application to the Court for the Final Order;
  - (g) that the Company Meeting may be adjourned or postponed from time to time by the Company in accordance with the terms of this Agreement without the need for additional approval of the Court;
  - (h) that the Company Meeting may be held in-person or be an entirely virtual meeting or hybrid meeting whereby Company Shareholders may join virtually;
  - (i) that the record date for Company Shareholders entitled to notice of and to vote at the Company Meeting will not change in respect of any adjournment(s) or postponement(s) of the Company Meeting, unless required by Securities Law;
  - (j) that the deadline for submission of proxies by the Company Shareholders for the Company Meeting shall be 48 hours (excluding Saturdays, Sundays and statutory holidays in Toronto, Ontario) prior to the Company Meeting, subject to waiver by the Company in accordance with the terms of this Agreement; and
  - (k) that it is the intention of the Parties to rely, by virtue of the Final Order, upon the Section 3(a)(10) Exemption with respect to the issuance of the Company Shares and the Consideration Shares to be issued pursuant to the Arrangement to Company Shareholders, holders of Company Convertible Securities and holders of TJAC Options, based on the Court's approval of the Arrangement.
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**Section 2.3      The Company Meeting**

- (1)      The Company shall:
- (a)      convene and conduct the Company Meeting in accordance with the Interim Order, the Company's Constatting Documents and applicable Laws as soon as reasonably practicable, and in any event on or before April 15, 2021 for the purpose of considering the Arrangement Resolution and for any other proper purpose as may be set out in the Company Circular, and not adjourn, postpone or cancel (or propose the adjournment, postponement or cancellation of) the Company Meeting without the prior written consent of the Purchaser, except:
    - (i)      in the case of an adjournment, as required for quorum purposes (in which case the Company Meeting shall be adjourned and not canceled);
    - (ii)      as required by Law or by a Governmental Entity; or
    - (iii)      as required or permitted under Section 4.6(3) or Section 5.4(5);
  - (b)      solicit proxies in favour of the approval of the Arrangement Resolution and against any resolution submitted by any Company Shareholder that is inconsistent with the Arrangement Resolution and the completion of any of the transactions contemplated by this Agreement and reasonably consider the input of the Purchaser with respect to the solicitation of proxies in respect of the Company Meeting;
  - (c)      fix and publish a record date for the purposes of determining the Company Shareholders entitled to receive notice of and vote at the Company Meeting in accordance with the Interim Order;
  - (d)      consult with the Purchaser in fixing the date of the Company Meeting, give notice to the Purchaser of the Company Meeting and allow the Purchaser's representatives and legal counsel to attend the Company Meeting;
  - (e)      promptly advise the Purchaser, at such times as the Purchaser may reasonably request and at least on a daily basis on each of the last seven (7) Business Days prior to the date of the Company Meeting, as to the aggregate tally of the proxies received by the Company in respect of the Arrangement Resolution;
  - (f)      promptly advise the Purchaser of receipt by the Company of any communication (written or oral) from any Company Shareholder or other security holder of the Company in opposition to the Arrangement, written notice of dissent, purported exercise or withdrawal of Dissent Rights, and written communications sent by or on behalf of the Company to any Company Shareholder exercising or purporting to exercise Dissent Rights;
  - (g)      not make any payment or settlement offer, or agree to any payment or settlement prior to the Effective Time with respect to Dissent Rights without the prior written consent of the Purchaser;
  - (h)      not, except as set out in the Interim Order and only with the consent of the Purchaser, change the record date for Company Shareholders entitled to vote at the Company Meeting in connection with any adjournment or postponement of the Company Meeting (unless required by Law); and
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- (i) at the request of the Purchaser from time to time, provide the Purchaser with a list (in both written and electronic form) of (i) Company Shareholders, together with their addresses and respective holdings of Company Shares, (ii) the names, addresses and holdings of all Persons having rights issued by the Company to acquire Company Shares (including holders of Company Convertible Securities), and (iii) to the extent available to the Company, participants and book-based nominee registrants such as CDS & Co., CEDE & Co. and DTC, and non-objecting beneficial owners of Company Shares and other security holders of the Company, together with their addresses and respective holdings of Company Shares and all other securities of the Company. The Company shall, from time to time, require that its registrar and transfer agent furnish the Purchaser with such additional information, including updated or additional lists of the Company Shareholders, and lists of securities positions and other assistance as the Purchaser may reasonably request in order to be able to communicate with respect to the Arrangement with the Company Shareholders.

#### **Section 2.4 The Company Circular**

- (1) The Company shall promptly prepare and complete, in reasonable consultation with the Purchaser, the Company Circular together with any other documents required by Law in connection with the Company Meeting and the Arrangement, and the Company shall, promptly after obtaining the Interim Order, cause the Company Circular and such other documents to be filed and sent to each Company Shareholder and other Person as required by the Interim Order and applicable Law, in each case so as to permit the Company Meeting to be held by the date specified in Section 2.3(1)(a).
  - (2) The Company shall ensure that the Company Circular complies in all material respects with applicable Law and the Interim Order, does not contain any Misrepresentation regarding the Company and provides Company Shareholders with sufficient information to permit them to form a reasoned judgment concerning the matters to be placed before the Company Meeting. Without limiting the generality of the foregoing, the Company Circular must include: (i) a copy of the Fairness Opinion; (ii) a statement that the Company Board (excluding Marc Lustig, Michael Ruscetta and Howard Steinberg) has received the Fairness Opinion, and the Company Board (with Marc Lustig, Michael Ruscetta and Howard Steinberg declaring conflicts and abstaining from voting thereon), after receiving financial and legal advice, has unanimously determined that the Consideration to be received by Company Shareholders is fair, from a financial point of view, and that the Arrangement is in the best interests of the Company and that the Company Board (excluding Marc Lustig, Michael Ruscetta and Howard Steinberg) unanimously recommends that Company Shareholders vote in favour of the Arrangement Resolution (the "**Company Board Recommendation**"); (iii) a statement that each director and executive officer of the Company intends to vote all of such individual's Company Shares in favour of the Arrangement Resolution and against any resolution submitted by any Company Shareholder that is inconsistent with the Arrangement, the whole in accordance with their Support and Voting Agreements; and (iv) a statement that each director and executive officer of the Company, as well as certain other Company Shareholders and Company Debenture Holders, have entered into Support and Voting Agreements and each director and executive officer of the Company, as well as certain other Company Shareholders, have entered into Lock-up Agreements and specifying the percentage of the issued and outstanding Company Shares covered by such Support and Voting Agreements and Lock-up Agreements, as applicable.
  - (3) The Company shall indemnify and save harmless the Purchaser and each of its representatives from and against any and all liabilities, claims, demands, losses, costs, damages and expenses to which they may be subject or may suffer, in any way caused by, or arising, directly or indirectly, from or in consequence of:
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- (a) any Misrepresentation or alleged Misrepresentation in any information included in the Company Circular, other than the information relating to the Purchaser (including information provided by the Purchaser in connection with the preparation of any *pro forma* financial statements for inclusion in the Company Circular), its affiliates or the Consideration Shares furnished to the Company in writing by the Purchaser for inclusion in the Company Circular; and
    - (b) any order made, or any inquiry, investigation or proceeding by any Securities Authority or other Governmental Entity, to the extent based on any Misrepresentation or any alleged Misrepresentation in the Company Circular other than the information relating to the Purchaser (including information provided by the Purchaser in connection with the preparation of any *pro forma* financial statements for inclusion in the Company Circular), its affiliates or the Consideration Shares furnished to the Company in writing by the Purchaser for inclusion in the Company Circular.
  - (4) The Company shall not be responsible for any information in the Company Circular relating to the Purchaser, (including information provided by the Purchaser in connection with the preparation of any *pro forma* financial statements for inclusion in the Company Circular), its affiliates or the Consideration Shares.
  - (5) The Company shall give the Purchaser and its legal counsel a reasonable opportunity to review and comment on drafts of the Company Circular and other related documents, and shall give reasonable consideration to any comments made by them, and agrees that all information relating solely to the Purchaser, its affiliates and the Consideration Shares included in the Company Circular must be in a form and content reasonably satisfactory to them.
  - (6) The Purchaser shall provide the Company with all information regarding the Purchaser (including any *pro forma* financial statements, as required by Law and reasonably requested by the Company in writing for inclusion in the Company Circular), its affiliates and the Consideration Shares, as required by Law (and in particular, Securities Law) for inclusion in the Company Circular or in any amendments or supplements to such Company Circular. The Purchaser shall ensure that such information does not include any Misrepresentation concerning the Purchaser, its affiliates and the Consideration Shares.
  - (7) The Purchaser shall indemnify and save harmless the Company and each of its representatives from and against any and all liabilities, claims, demands, losses, costs, damages and expenses to which they may be subject or may suffer, in any way caused by, or arising, directly or indirectly, from or in consequence of:
    - (a) any Misrepresentation or alleged Misrepresentation in any information included in the Company Circular relating to the Purchaser (including information provided by the Purchaser in connection with the preparation of any *pro forma* financial statements for inclusion in the Company Circular), its affiliates or the Consideration Shares furnished to the Company in writing by the Purchaser for inclusion in the Company Circular pursuant to Section 2.4(6); and
    - (b) any order made, or any inquiry, investigation or proceeding by any Securities Authority or other Governmental Entity, to the extent based on any Misrepresentation or any alleged Misrepresentation in any information included in the Company Circular relating to the Purchaser (including information provided by the Purchaser in connection with the preparation of any *pro forma* financial statements for inclusion in the Company Circular), its affiliates or the Consideration Shares furnished to the Company in writing by the Purchaser for inclusion in the Company Circular pursuant to Section 2.4(6).
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- (8) The Purchaser shall not be responsible for any information in the Company Circular relating to the Company (including information provided by the Company in connection with the preparation of any *pro forma* financial statements for inclusion in the Company Circular).
- (9) The Purchaser and the Company shall also use their commercially reasonable efforts to obtain any necessary consents from any of their respective auditors and any other advisors to the use of any financial, technical or other expert information required to be included in the Company Circular and to the identification in the Company Circular of each such advisor.
- (10) Each Party shall promptly notify the other if, at any time before the Effective Date, it becomes aware (in the case of the Company only with respect to the Company, and in the case of the Purchaser only with respect to the Purchaser (including information provided by the Purchaser in connection with the preparation of any *pro forma* financial statements for inclusion in the Company Circular), its affiliates and the Consideration Shares) that the Company Circular contains a Misrepresentation, or otherwise requires an amendment or supplement. The Parties shall co-operate in the preparation of any such amendment or supplement to the Company Circular as required or appropriate, and the Company shall promptly mail, file or otherwise publicly disseminate any such amendment or supplement to the Company Circular to Company Shareholders and, if required by the Court or by applicable Laws, file the same with the Securities Authorities or any other Governmental Entity as required.

#### **Section 2.5 Final Order**

- (1) The Company shall take all steps necessary or desirable to submit the Arrangement to the Court and diligently pursue an application for the Final Order pursuant to Section 182 of the OBCA, as soon as reasonably practicable, but in any event not later than three (3) Business Days after the Arrangement Resolution is passed at the Company Meeting as provided for in the Interim Order.

#### **Section 2.6 Court Proceedings**

- (1) In connection with all Court proceedings relating to obtaining the Interim Order and the Final Order, the Company shall:
    - (a) diligently pursue, and reasonably cooperate with the Purchaser in diligently pursuing, the Interim Order and, subject to the approval of the Arrangement Resolution at the Company Meeting, the Final Order;
    - (b) provide legal counsel to the Purchaser with a reasonable opportunity to review and comment upon drafts of all material to be filed with the Court in connection with the Arrangement, and give reasonable consideration to all such comments;
    - (c) provide legal counsel to the Purchaser with copies of any notice of appearance, evidence or other documents served on the Company or its legal counsel in respect of the motion for the Interim Order or the application for the Final Order or any appeal from them, and any notice, written or oral, indicating the intention of any Person to appeal, or oppose the granting of, the Interim Order or the Final Order;
    - (d) ensure that all material filed with the Court in connection with the Arrangement is consistent with this Agreement and the Plan of Arrangement and that reasonable opportunity has been provided to the Purchaser to review such material and reasonable consideration given by the Company to all comments of the Purchaser prior to filing; provided the Purchaser shall have the right to consent, in its sole discretion, with respect to any increase in or variation in the form of the Consideration or other modification or amendment to such filed or served materials that expands or increases the Purchaser's obligations, or diminishes or limits the Purchaser's rights, set forth in any such filed or served materials or under this Agreement;
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- (e) oppose any proposal from any Person that the Final Order contain any provision inconsistent with this Agreement, and if required by the terms of the Final Order or by Law to return to Court with respect to the Final Order do so only after notice to, and in reasonable consultation and cooperation with, the Purchaser; and
- (f) not object to legal counsel to the Purchaser appearing at and making such submissions on both the hearing of the motion for the Interim Order and the application for the Final Order as such counsel considers appropriate, provided the Purchaser advises the Company of the nature of any such submissions prior to the hearing and such submissions are consistent with this Agreement and the Plan of Arrangement.

#### **Section 2.7 Other Securities**

- (1) The Parties acknowledge and agree that all Company RSUs, Company PSUs, Company Options, TJAC Options, Company Legacy Options, Company Legacy PSUs and Company Legacy RSUs that are not settled or exercised in accordance with their terms, whether conditionally or otherwise, prior to the Effective Time shall be treated in accordance with the provisions of the Plan of Arrangement, and the Company and the Purchaser shall take all such reasonable steps as may be necessary or desirable to give effect to the foregoing.
- (2) The Parties acknowledge that no deduction will be claimed by the Company, TJAC or any Person not dealing at arm's length with the Company or TJAC in respect of any payment made to a holder of Company Options or TJAC Options in respect of the Company Options or TJAC Options pursuant to this Agreement or the Plan of Arrangement who is a resident of Canada or who is employed in Canada (all within the meaning of the Tax Act), to the extent that the deduction under Section 110(1)(d) of the Tax Act would otherwise be available to such holder (each, a "**Canadian Optionholder**"), in computing the taxable income of any of the Company, TJAC or any Person not dealing at arm's length with the Company or TJAC under the Tax Act and the Company or TJAC and each applicable Person not dealing at arm's length with the Company or TJAC will: (i) where applicable, make an election pursuant to Subsection 110(1.1) of the Tax Act in respect of the payments made to Canadian Optionholders in exchange for the surrender of Company Options and TJAC Options; and (ii) provide evidence in writing of such election to Canadian Optionholders as contemplated by the Tax Act, it being understood that Canadian Optionholders will be entitled to claim any deductions available to such Person pursuant to the Tax Act in respect of the calculation of any benefit arising from the surrender or other disposition of Company Options and TJAC Options.

#### **Section 2.8 The Arrangement and Effective Date**

The Company shall file the Articles of Arrangement with the Director and the Effective Date shall occur on the earlier of (a) the date which is three (3) Business Days after the date on which all conditions set forth in Section 6.1, Section 6.2 and Section 6.3 have been satisfied or waived (excluding conditions that, by their terms, cannot be satisfied until the Effective Date, but subject to the satisfaction or, where not prohibited, the waiver by the applicable Party or Parties in whose favour the condition is, of those conditions as of the Effective Date), and (b) the date that is the last Business Day prior to the Outside Date (provided that the conditions set forth in Section 6.1, Section 6.2 and Section 6.3 have been satisfied or waived), unless another time or date is agreed to in writing by the Parties. From and after the Effective Time, the Plan of Arrangement will have all of the effects provided by applicable Law, including the OBCA.

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## **Section 2.9 Payment of Consideration**

The Purchaser will, as soon as possible after the receipt by the Company of the Final Order and, in any event, not later than one (1) Business Day prior to the filing by the Company of the Articles of Arrangement with the Director, deposit in escrow with the Depositary (the terms and conditions of such escrow to be satisfactory to the Parties, acting reasonably) sufficient Purchaser Shares to satisfy the aggregate Consideration payable to Company Shareholders (other than Company Shareholders who have exercised Dissent Rights) pursuant to the Plan of Arrangement.

## **Section 2.10 Adjustment of Consideration**

- (1) Notwithstanding anything in this Agreement to the contrary, if, between the date of this Agreement and the Effective Time, the issued and outstanding Purchaser Shares shall have changed into a different number of shares or a different class by reason of any split, combination, consolidation, reclassification, dividend or the like, provided any such action is permitted by Section 4.2(c), then the Consideration to be paid per Company Share shall be appropriately adjusted to provide to Company Shareholders the same economic effect as contemplated by this Agreement and the Plan of Arrangement prior to such action and as so adjusted shall, from and after the date of such event, be the Consideration to be paid per Company Share, subject to further adjustment in accordance with this Section 2.10(1).
- (2) If, on or after the date of this Agreement, the Company sets a record date for any distribution on the Company Shares that is prior to the Effective Date, then: (i) to the extent that the amount of such dividends or distributions per Company Share does not exceed the Consideration, the Consideration shall be reduced by the amount of such dividends or distributions; and (ii) to the extent that the amount of such dividends or distributions per Company Share exceeds the Consideration, such excess amount shall be placed in escrow for the benefit of the Purchaser or another Person designated by the Purchaser.

## **Section 2.11 Withholding Taxes**

The Purchaser, the Company and the Depositary, as applicable, shall be entitled to deduct or withhold from any consideration payable or otherwise deliverable to any Person, including Company Shareholders exercising Dissent Rights, pursuant to the Arrangement and from all dividends, other distributions or other amount otherwise payable to any former Company Shareholders, such Taxes or other amounts as the Company, the Purchaser or the Depositary are required, entitled or permitted to deduct or withhold with respect to such payment under the Tax Act, or any other provisions of any applicable Laws, in each case, as amended. To the extent that Taxes or other amounts are so deducted or withheld, such deducted or withheld Taxes or other amounts shall be treated for all purposes under this Agreement as having been paid to the Person in respect of which such deduction or withholding was made, provided that such deducted or withheld Taxes or other amounts are actually remitted to the appropriate taxing authority.

Notwithstanding the foregoing, neither the Purchaser, the Company nor the Depositary, as applicable, shall be entitled to deduct or withhold from any consideration payable or otherwise deliverable to any Company PSU Holder, Company RSU Holder, Company Optionholder or TJAC Optionholder, any amounts required or permitted to be deducted and withheld with respect to such payment under the Tax Act, or any provision of any other Law other than as expressly set forth in the Plan of Arrangement.

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**Section 2.12 Tax Matters**

Notwithstanding any representations and covenants set forth in this Agreement, it is understood and agreed that none of the Purchaser or the Company provides any assurances to any security holder of the Company regarding the income tax consequences of the Arrangement to any security holder of the Company, except as may otherwise be provided in the Company Circular.

**Section 2.13 United States Securities Law Matters**

The Parties agree that the Arrangement will be carried out with the intention that, assuming the Final Order is granted by the Court, all Purchaser Shares issued under the Arrangement to the Company Shareholders, holders of Company Convertible Securities and holders of TJAC Options will be issued by the Purchaser in reliance on the Section 3(a)(10) Exemption. In order to ensure the availability of the exemption under the Section 3(a)(10) Exemption, the Parties agree that the Arrangement will be carried out on the following basis:

- (a) the procedural and substantive fairness of the terms and conditions of the Arrangement will be subject to the approval of the Court;
  - (b) the Court will be advised as to the intention of the Parties to rely on the Section 3(a)(10) Exemption prior to the hearing required to approve the procedural and substantive fairness of the terms and conditions of the Arrangement;
  - (c) the Court will be required to satisfy itself as to the procedural and substantive fairness of the terms and conditions of the Arrangement to Company Shareholders, holders of Company Convertible Securities and holders of TJAC Options, subject to the Arrangement;
  - (d) The Company will ensure that each Person entitled to receive Purchaser Shares on completion of the Arrangement will be given adequate notice advising them of their right to attend the hearing of the Court to give approval of the procedural and substantive fairness of the terms and conditions of the Arrangement and providing them with sufficient information necessary for them to exercise that right and that there shall not be any improper impediments to the appearance at the hearing of any Company Shareholder, any holder of Company Convertible Securities or any holder of TJAC Options;
  - (e) the Court will hold a hearing before approving the procedural and substantive fairness of the terms and conditions of the Arrangement;
  - (f) each Company Shareholder, each holder of Company Convertible Securities and each holder of TJAC Options entitled to receive Purchaser Shares pursuant to the Arrangement will be advised that such Purchaser Shares issued pursuant to the Arrangement have not been and will not be registered under the U.S. Securities Act and will be issued by the Purchaser in reliance on the Section 3(a)(10) Exemption, and in the case of any Company Shareholder, any holder of Company Convertible Securities and any holder of TJAC Options in the United States that is an "affiliate" (within the meaning of applicable rules under the U.S. Securities Act) of the Purchaser, or was such an "affiliate" within 90 days of the Effective Time, will be subject to restrictions on resale under the applicable securities laws of the United States, including Rule 144 under the U.S. Securities Act;
  - (g) the Interim Order approving the Company Meeting will specify that each Company Shareholder, each holder of Company Convertible Securities and each holder of TJAC Options will have the right to appear before the Court at the hearing of the Court to give approval of the Arrangement so long as they deliver an appearance within a reasonable time; and
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- (h) the Final Order approving the terms and conditions of the Arrangement that is obtained from the Court will expressly state that the Arrangement is approved by the Court as being procedurally and substantively fair to the Company Shareholders, each holder of Company Convertible Securities and each holder of TJAC Options. The Company shall request that the Final Order shall include a statement to substantially the following effect:

"This Order will serve as a basis of a claim to an exemption, pursuant to Section 3(a)(10) of the *United States Securities Act of 1933*, as amended, from the registration requirements otherwise imposed by that act, regarding the issuance and distribution of securities of IM Cannabis Corp., pursuant to the Plan of Arrangement."; and

- (i) the Parties further agree that each of them shall use commercially reasonable efforts to cause the issuance of the Purchaser Shares to Company Shareholders, holders of Company Convertible Securities and holders of TJAC Options pursuant to the Arrangement to be exempt from, or otherwise be in compliance with, all applicable U.S. state securities laws.

### ARTICLE 3 REPRESENTATIONS AND WARRANTIES

#### Section 3.1 Representations and Warranties of the Company

- (1) The Company represents and warrants to the Purchaser, except as set forth in the Company Disclosure Letter, the matters set forth in Schedule C and acknowledges and agrees that the Purchaser is relying upon such representations and warranties in connection with the entering into of this Agreement and agreeing to complete the Arrangement.
- (2) The representations and warranties of the Company contained in this Agreement shall not survive the completion of the Arrangement and shall expire and be terminated on the earlier of the Effective Time and the date on which this Agreement is terminated in accordance with its terms. This Section 3.1 will not limit any covenant or agreement of the Parties, which, by its terms, contemplates performance after the Effective Date or the date on which this Agreement is terminated, as the case may be. Any investigation by the Purchaser and its advisors shall not mitigate, diminish or affect the representations and warranties of the Company contained in this Agreement.

#### Section 3.2 Representations and Warranties of the Purchaser

- (1) The Purchaser represents and warrants to the Company, except as set forth in the Purchaser Disclosure Letter, the matters set forth in Schedule D and acknowledges and agrees that the Company is relying upon such representations and warranties in connection with the entering into of this Agreement and agreeing to complete the Arrangement.
- (2) The representations and warranties of the Purchaser contained in this Agreement shall not survive the completion of the Arrangement and shall expire and be terminated on the earlier of the Effective Time and the date on which this Agreement is terminated in accordance with its terms. This Section 3.2 will not limit any covenant or agreement of the Parties, which, by its terms, contemplates performance after the Effective Date or the date on which this Agreement is terminated, as the case may be. Any investigation by the Company and any of their advisors shall not mitigate, diminish or affect the representations and warranties of the Purchaser contained in this Agreement.
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## ARTICLE 4 COVENANTS

### Section 4.1 Conduct of Business of the Company

- (1) The Company covenants and agrees that, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, except (i) with the express prior written consent of the Purchaser not to be unreasonably withheld, or (ii) as required or permitted by this Agreement or the Plan of Arrangement; (iii) as required by Law; or (iv) as expressly contemplated by the Company Disclosure Letter, the Company shall, and shall cause its Subsidiaries to, conduct their business in the Ordinary Course, and the Company shall use commercially reasonable efforts to maintain and preserve its and its Subsidiaries' business organization, assets (including, for greater certainty, Company Business Assets), goodwill and business relationships with other Persons with which the Company or any of its Subsidiaries have business relations.
  - (2) Without limiting the generality of Section 4.1(1), the Company covenants and agrees that, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, except (i) with the express prior written consent of the Purchaser not to be unreasonably withheld, or (ii) as required or permitted by this Agreement or the Plan of Arrangement; (iii) as required by Law; or (iv) as expressly contemplated by the Company Disclosure Letter, the Company shall not, and the Company shall not permit any of its Subsidiaries to, directly or indirectly:
    - (a) amend its Constatng Documents or, in the case of any Subsidiary which is not a corporation, its similar organizational documents;
    - (b) split, combine, consolidate or reclassify any of its common shares, or declare, set aside or pay any dividend or other distribution thereon in stock or property or any combination thereof, or amend or modify any term of any outstanding debt security;
    - (c) redeem, purchase, or otherwise acquire or offer to redeem, purchase or otherwise acquire any of the Company Shares, any of its other outstanding securities or the outstanding securities of its Subsidiaries;
    - (d) issue, deliver, sell, pledge or otherwise encumber, or authorize the issuance, delivery, sale, pledge or other encumbrance of its common shares or other equity or voting interests, or any options, warrants or similar rights or convertible securities exercisable or exchangeable for or convertible into such common shares or other equity or voting interests (including Company Shares), or any stock appreciation rights, phantom stock awards or other rights that are linked to the price or the value of such common shares or other equity or voting interests (including Company Convertible Securities), except for the issuance of Company Shares issuable upon the exercise of the currently outstanding Company Convertible Securities in accordance with their terms;
    - (e) reduce its stated capital or reorganize, arrange, restructure, amalgamate or merge with any Person;
    - (f) adopt a plan of liquidation or resolutions providing for the liquidation or dissolution of the Company or any of its Subsidiaries;
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- (g) acquire (by merger, consolidation, acquisition of stock or assets or otherwise), directly or indirectly, in one transaction or in a series of related transactions, assets, securities, properties, interests or businesses or make any investment either by the purchase of securities, contribution of capital, property transfer or purchase of any other property or assets of any other Person, or acquire any licence rights;
  - (h) sell, pledge, lease, dispose of, lose the right to use, mortgage, licence, encumber (other than a Permitted Lien) or otherwise transfer any assets of the Company or of any of its Subsidiaries or any interest in any assets of the Company and its Subsidiaries having a value greater than \$150,000 individually and subject to a maximum of \$250,000 in the aggregate, other than assets sold in the Ordinary Course;
  - (i) make any capital expenditure or commitment to do so which, individually exceeds \$150,000 or in the aggregate exceeds \$250,000;
  - (j) amend or modify, or terminate or waive any right under, any Material Contract or enter into any contract or agreement that would be a Material Contract if in effect on the date hereof;
  - (k) in respect of any Company Business Assets, waive, release, surrender, abandon, let lapse, grant or transfer any material right or amend, modify or change, or agree to amend, modify or change, any existing material Authorization, right to use, lease or contract;
  - (l) except as contemplated in Section 4.7 [*Director & Officer Insurance*] amend, modify or terminate, cancel or let lapse any material insurance (or re-insurance) policy of the Company or any Subsidiary in effect on the date of this Agreement, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the terminated, cancelled or lapsed policies are in full force and effect;
  - (m) prepay any indebtedness before its scheduled maturity, or increase, create, incur, assume or otherwise become liable for any indebtedness for borrowed money or guarantees thereof;
  - (n) make any loan or advance to, or any capital contribution or investment in, or assume, guarantee or otherwise become liable with respect to the liabilities or obligations of, any Person other than advances and capital contributions to wholly-owned Subsidiaries of the Company in the Ordinary Course;
  - (o) enter into any interest rate, currency, equity or commodity swaps, hedges, derivatives, forward sales contracts or similar financial instruments;
  - (p) grant any Lien (other than Permitted Liens) on any assets of the Company or its Subsidiaries;
  - (q) make, amend or rescind any Tax election or designation, settle or compromise any Tax claim, action, suit, litigation, proceeding, investigation, audit, controversy, assessment, reassessment or liability, file any amended Tax return, enter into any agreement with a Governmental Entity with respect to Taxes, surrender any right to claim a Tax abatement, reduction, deduction, exemption, credit or refund, consent to the extension or waiver of the limitation period applicable to any Tax matter or amend or change any of its methods of reporting income, deductions or accounting for income Tax purposes except as may be required by Law;
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- (r) make any change in the Company's methods of accounting, except as required by concurrent changes in IFRS;
  - (s) grant any increase in the rate of wages, salaries, bonuses or other remuneration of any employee or independent contractor or make any bonus or profit sharing distribution or similar payment of any kind;
  - (t) (i) adopt, enter into or amend any Employee Plan; (ii) pay any benefit to any director or officer of the Company or any of its Subsidiaries or to any employee or independent contractor that is not required under the terms of any Employee Plan in effect on the date of this Agreement; (iii) grant, accelerate, increase or otherwise amend any payment, award or other benefit payable to, or for the benefit of, any director or officer of the Company or any of its Subsidiaries or to any Employee; (iv) make any determination under any Employee Plan that is not in the Ordinary Course; or (v) take or propose any action to effect any of the foregoing;
  - (u) enter into any agreement or arrangement that limits or otherwise restricts in any material respect the Company or any successor thereto, or that would, after the Effective Time, limit or restrict in any material respect the Company or any of its affiliates from competing in any manner;
  - (v) cancel, waive, release, assign, settle or compromise any material claims or rights or take any action or fail to take any action that would result in termination of any material claims or rights;
  - (w) commence, waive, release, assign, settle, compromise or settle any litigation, proceeding or governmental investigation relating to the assets or the business of the Company in excess of an aggregate amount of \$100,000 other than amounts or liabilities disclosed in the Company Filings which are resolved for an amount equal to or less than the amount disclosed, or which could reasonably be expected to impede, prevent or delay the consummation of the transaction contemplated by this Agreement;
  - (x) knowingly take any action or fail to take any action which action or failure to act would result in the material loss, expiration or surrender of, or the loss of any material benefit under, or reasonably be expected to cause any Governmental Entity to institute proceedings for the suspension, revocation or limitation of rights under, any material Authorization necessary to conduct the Company Business, or fail to prosecute any pending application to any Governmental Entities for material Authorizations necessary to conduct the Company Business;
  - (y) abandon or fail to diligently pursue any application for any material licences, Permits, Authorizations or registrations or take any action, or fail to take any action, that could lead to a material modification, suspension or revocation of any material licences, Permits, Authorizations or registrations;
  - (z) grant or commit to grant an exclusive licence or otherwise transfer any Intellectual Property or exclusive rights in or in respect thereto that is material to the Company and its Subsidiaries taken as a whole, other than to wholly-owned Subsidiaries;
  - (aa) materially change its business or regulatory strategy;
  - (bb) enter into any Contract with a Person (other than a wholly-owned Subsidiary of the Company) that does not deal at arm's length with the Company within the meaning of the Tax Act;
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- (cc) enter into or amend any Contract with any broker, finder or investment banker, including any amendment of any of the Contracts listed in the Company Disclosure Letter; or
  - (dd) authorize, agree, resolve or otherwise commit, whether or not in writing, to do any of the foregoing.
- (3) The Company shall forthwith notify the Purchaser in writing of:
- (a) any Material Adverse Effect on the Company; or
  - (b) any material penalty, filing, action, suit, claim, investigation, audit inquiry, assessment or proceeding commenced or, to its knowledge, threatened against, relating to or involving or otherwise affecting the Company or its Subsidiaries.

#### **Section 4.2 Conduct of Business of the Purchaser**

The Purchaser covenants and agrees that, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, the Purchaser shall use commercially reasonable efforts to maintain and preserve its and its Subsidiaries' business organization, properties, employees, goodwill and business relationships with customers, suppliers, partners and other Persons with which the Purchaser or any of its Subsidiaries has material business relations, and shall not, directly or indirectly:

- (a) split, combine, reclassify or amend the terms of the Purchaser Shares (other than, for greater certainty, to effect a split or consolidation of the issued and outstanding Consideration Shares (which split or consolidation shall be subject to Section 2.10));
  - (b) amend its Constatng Documents (other than to effect a split or consolidation of the issued and outstanding Consideration Shares (which split or consolidation shall be subject to Section 2.10(1)));
  - (c) declare, set aside or pay any dividend or other distribution (whether in cash, securities or property or any combination thereof) in respect of any Purchaser Shares;
  - (d) redeem, purchase or otherwise acquire or offer to redeem, purchase or otherwise acquire any Purchaser Shares, other than purchases of Purchaser Shares made in the public markets or off market at then prevailing market prices and other than redemptions or repurchases of Purchaser Shares in connection with the administration of equity or employee incentive plans;
  - (e) take any action that would result in the need for shareholder approval of the Purchaser of the transactions contemplated by this Agreement; or
  - (f) reduce its stated capital or reorganize, arrange, restructure, amalgamate or merge with any Person, other than in respect of acquisitions (by merger or otherwise) which may involve the issuance of Purchaser Shares not to exceed 25% of the Purchaser's existing voting securities;
  - (g) issue, deliver or sell, or authorize the issuance, delivery or sale, of any shares of its capital stock or other equity or voting interests which exceed 20% of the Purchaser's existing voting securities, other than the issuance of awards under the Purchaser's equity-based compensation arrangements outstanding from time to time, and other than in connection with an arm's length acquisition by the Purchaser or prospectus offering;
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- (h) adopt a plan of liquidation or resolutions providing for the liquidation or dissolution of the Purchaser; or
  - (i) authorize, agree, resolve or otherwise commit, whether or not in writing, to do any of the foregoing.
- (2) The Purchaser shall forthwith notify the Company in writing of:
- (a) any Material Adverse Effect on the Purchaser; or
  - (b) any material penalty, filing, action, suit, claim, investigation, audit inquiry, assessment or proceeding commenced or, to its knowledge, threatened against, relating to, or involving or otherwise affecting the Purchaser or its Subsidiaries.

#### **Section 4.3 Covenants Regarding the Arrangement**

- (1) Subject to the terms and conditions of this Agreement, the Company shall, and shall cause its Subsidiaries to, perform all obligations required to be performed by the Company or any of its Subsidiaries under this Agreement, reasonably cooperate with the Purchaser in connection therewith, and do all such other commercially reasonable acts and things as may be necessary or desirable to consummate and make effective, as soon as reasonably practicable, the Arrangement and, without limiting the generality of the foregoing, the Company shall and, where appropriate, shall cause each of its Subsidiaries to:
- (a) use its commercially reasonable efforts to obtain and maintain all third party or other consents, waivers, permits, exemptions, orders, approvals, agreements, amendments or confirmations that are (i) necessary or advisable under its Material Contracts, Permits and Authorizations in connection with the Arrangement or (ii) required in order to maintain its Material Contracts, Permits and Authorizations in full force and effect following completion of the Arrangement (including the Key Consents/Waivers to the extent not obtained prior to execution of this Agreement), in each case, on terms that are reasonably satisfactory to the Purchaser, and without paying, and without committing itself or the Purchaser to pay, any consideration or incur any liability or obligation without the prior written consent of the Purchaser;
  - (b) prepare and file, as promptly as practicable, all necessary documents, registrations, statements, petitions, filings and applications for the Regulatory Approvals required to be obtained by the Company or any of its Subsidiaries and use its commercially reasonable efforts to obtain and maintain all such Regulatory Approvals, and provide or submit all documentation and information that is required, or in the reasonable opinion of the Purchaser, advisable, in connection with obtaining such Regulatory Approvals and to keep the Purchaser reasonably apprised of the status of such Regulatory Approvals (but only to the extent that the Company has knowledge of such status) and make available to the Purchaser all copies of such materials;
  - (c) use its commercially reasonable efforts to oppose, lift or rescind any injunction, restraining or other order, decree or ruling seeking to restrain, enjoin or otherwise prohibit or adversely affect the consummation of the Arrangement and use its commercially reasonable efforts to defend, or cause to be defended, any proceedings to which it is a party or brought against it or its directors or officers challenging the Arrangement or this Agreement;
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- (d) carry out the terms of the Interim Order and the Final Order applicable to it and comply promptly with all requirements imposed by Law on it or its Subsidiaries with respect to this Agreement or the Arrangement;
  - (e) not take any action, or refrain from taking any commercially reasonable action, or permit any action to be taken or not taken, which is inconsistent with this Agreement or which would reasonably be expected to prevent, delay or otherwise impede the consummation of the Arrangement;
  - (f) comply with CSE requirements relevant to this Agreement; and
  - (g) use commercially reasonable efforts to satisfy all conditions precedent set forth in Section 6.1 and Section 6.2 of this Agreement.
- (2) Subject to the terms and conditions of this Agreement, the Purchaser shall, and shall cause its Subsidiaries to, perform all obligations required to be performed by the Purchaser or any of its Subsidiaries under this Agreement, reasonably cooperate with the Company in connection therewith, and do all such other commercially reasonable acts and things as may be necessary or desirable to consummate and make effective, as soon as reasonably practicable, the Arrangement and, without limiting the generality of the foregoing, the Purchaser shall and, where appropriate, shall cause each of its Subsidiaries to:
- (a) use its commercially reasonable efforts to oppose, lift or rescind any injunction, restraining or other order, decree or ruling seeking to restrain, enjoin or otherwise prohibit or adversely affect the consummation of the Arrangement and use its commercially reasonable efforts to defend, or cause to be defended, any proceedings to which it is a party or brought against it or its directors or officers challenging the Arrangement or this Agreement;
  - (b) carry out the terms of the Interim Order and the Final Order applicable to it and comply promptly with all requirements imposed by Law on it or its Subsidiaries with respect to this Agreement or the Arrangement;
  - (c) not take any action, or refrain from taking any commercially reasonable action, or permit any action to be taken or not taken, which is inconsistent with this Agreement or which would reasonably be expected to prevent, delay or otherwise impede the consummation of the Arrangement;
  - (d) take all such commercially reasonable actions as may be necessary or desirable, in the opinion of the Company, acting reasonably, to obtain any necessary Regulatory Approvals;
  - (e) on or before the Effective Date reserve a sufficient number of Consideration Shares to be issued upon completion of the Arrangement;
  - (f) apply for and use commercially reasonable efforts to obtain conditional listing approval of the CSE, for the Consideration Shares to be issued upon completion of the Arrangement, subject only to the satisfaction of customary conditions required by the CSE;
  - (g) negotiate reasonably and in good faith the terms and conditions of compensation arrangements and allocation of Purchaser incentive securities to be granted on or as soon as practicable following the date hereof and prior to the Effective Date to certain continuing employees of the Company, in a manner satisfactory to each of Michael Ruscetta and Howard Steinberg, on the one hand, and the Purchaser, on the other hand, each acting reasonably, which will result in the grant of Purchaser options or other equity-based compensation issuable into an aggregate of between a minimum of seven percent (7%) and a maximum of ten percent (10%) of the total number of Purchaser Shares issued pursuant to the Plan of Arrangement;
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- (h) comply with CSE requirements relevant to this Agreement; and
  - (i) use commercially reasonable efforts to satisfy all conditions precedent set forth in Section 6.1 and Section 6.3 of this Agreement.
- (3) Each of the Parties shall promptly, and in any event within two (2) Business Days of each of the following, notify the other Party of:
- (a) any notice or other communication from any Person alleging (i) that the consent (or waiver, permit, exemption, order, approval, agreement, amendment or confirmation) of such Person is required in connection with this Agreement or the Arrangement, or (ii) that such Person is terminating or may terminate or is otherwise materially adversely modifying or may materially adversely modify its relationship with the Party as a result of this Agreement or the Arrangement; and
  - (b) any notice or other communication from any Governmental Entity in connection with this Agreement (and such Party shall contemporaneously provide a copy of any such written notice or communication to the other Party).

**Section 4.4 Access to Information; Confidentiality**

- (1) The Company shall give the Purchaser and its Representatives: (a) upon reasonable notice, reasonable access during normal business hours to its: (i) premises; (ii) property and assets (including all books and records, whether retained internally or otherwise); (iii) Contracts; and (iv) senior personnel, so long as the access does not unduly interfere with the Ordinary Course conduct of the business of the Company or its Subsidiaries; and (b) copies of all management reports, reports or presentations to the Company Board relating to its or its Subsidiaries' financial condition and operations, and such other financial and operating data or other information with respect to the assets or business of it or its Subsidiaries as the Purchaser from time to time reasonably requests.
- (2) Investigations made by or on behalf of the Purchaser, whether under this Section 4.4 or otherwise, will not waive, diminish the scope of, or otherwise affect any representation or warranty made by the Company in this Agreement.
- (3) The Purchaser acknowledges that the Confidentiality Agreement continues to apply and that any information provided under this Section 4.4 that is non-public and/or proprietary in nature shall be subject to the terms of the Confidentiality Agreement. If this Agreement is terminated in accordance with its terms, the obligations under the Confidentiality Agreement shall survive the termination of this Agreement.

**Section 4.5 Public Communications**

A Party must not issue any press release or make any other public statement or disclosure with respect to this Agreement or the Arrangement without the consent of the other Party (which consent shall not be unreasonably withheld or delayed). The Parties shall co-operate in the preparation of presentations, if any, to Company Shareholders regarding the Arrangement. The Company must not make any filing with any Governmental Entity with respect to this Agreement or the Arrangement without the consent of the Purchaser (which consent shall not be unreasonably withheld or delayed); provided that if the Company is required to make disclosure by Law, it shall use its commercially reasonable efforts to give the Purchaser prior oral or written notice and a reasonable opportunity to review or comment on the disclosure or filing (other than with respect to confidential information contained in such disclosure or filing). The Company shall give reasonable consideration to any comments made by the Purchaser or its counsel, and if such prior notice is not possible, shall give such notice immediately following the making of such disclosure or filing. Each of the Company and the Purchaser agrees that the Company will file the material change report required to be filed following the public announcement of this Agreement by the Company not later than the tenth (10<sup>th</sup>) day following the date this Agreement is entered into, and that the copy of this Agreement to be publicly filed in connection with such material change report will contain such redactions as each Party may reasonably request, provided such redactions are permitted by applicable Law.

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**Section 4.6 Notice and Cure Provisions**

- (1) Each Party shall promptly notify the other Party of the occurrence, or failure to occur, of any event or state of facts which occurrence or failure would, or would be reasonably likely to:
    - (a) cause any of the representations or warranties of such Party contained in this Agreement to be untrue or inaccurate in any respect at any time from the date of this Agreement to the Effective Time;
    - (b) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such Party under this Agreement; or
    - (c) result in the failure to satisfy any of the conditions precedent in favour of the other Party hereto contained in Section 6.1, Section 6.2 and Section 6.3, as the case may be.
  - (2) Notification provided under this Section 4.6 will not affect the representations, warranties, covenants, agreements or obligations of the Parties (or remedies with respect thereto) or the conditions to the obligations of the Parties under this Agreement.
  - (3) The Purchaser may not elect to exercise its right to terminate this Agreement pursuant to Section 7.2(1)(d)(i) and the Company may not elect to exercise its right to terminate this Agreement pursuant to Section 7.2(1)(c)(i), unless the Party seeking to terminate the Agreement (the "**Terminating Party**") has delivered a written notice ("**Termination Notice**") to the other Party (the "**Breaching Party**") specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which the Terminating Party asserts as the basis for the non-fulfillment of the applicable condition precedent or for termination, as applicable. After delivering a Termination Notice, provided the Breaching Party is proceeding diligently to cure such matter and such matter is capable of being cured prior to the Outside Date (with any intentional breach being deemed to be incurable), the Terminating Party may not exercise such termination right until the earlier of (a) the Outside Date, and (b) if such matter has not been cured by the date that is fifteen (15) Business Days following receipt of such Termination Notice by the Breaching Party, such date. If the Terminating Party delivers a Termination Notice prior to the date of the Company Meeting, unless the Parties agree otherwise, the Company shall, to the extent permitted by Law, postpone or adjourn the Company Meeting to the earlier of (a) five (5) Business Days prior to the Outside Date and (b) the date that is fifteen (15) Business Days following receipt of such Termination Notice by the Breaching Party. If such notice has been delivered prior to the making of the application for the Final Order, such application shall be postponed until the expiry of such period. For greater certainty, in the event that such matter is cured within the time period referred to herein, without a Material Adverse Effect, this Agreement may not be terminated as a result of such matter.
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- (4) If no notice has been sent by either Party pursuant to this Section 4.6 prior to the Effective Time, the conditions precedent set out in Section 6.1, Section 6.2 or Section 6.3 hereof shall be conclusively deemed to have been satisfied, fulfilled or waived as of the Effective Time.

#### **Section 4.7 Insurance and Indemnification**

- (1) Prior to the Effective Date, the Company shall purchase customary "tail" policies of directors' and officers' liability insurance providing protection no less favourable in the aggregate to the protection provided by the policies maintained by the Company and its Subsidiaries which are in effect immediately prior to the Effective Date and providing protection in respect of claims arising from facts or events which occurred on or prior to the Effective Date and the Purchaser shall, or shall cause the Company and its Subsidiaries to maintain such tail policies in effect without any reduction in scope or coverage for six (6) years from the Effective Date; provided that the Purchaser shall not be required to pay any amounts in respect of such coverage prior to the Effective Time and provided further that the aggregate cost of such policies over such six (6) year period shall not exceed 300% of the Company's current annual aggregate premium for policies currently maintained by the Company or its Subsidiaries as set forth in the Company Disclosure Letter.
- (2) The Purchaser shall, following the Effective Date, cause the Company to honour all rights to indemnification or exculpation now existing in favour of present and former employees, officers and directors of the Company and its Subsidiaries to the extent that they are (i) included in the Constatting Documents of the Company or any of its Subsidiaries, or (ii) disclosed in Section 4.7(2) of the Company Disclosure Letter, and acknowledges that such rights under both (i) and (ii) shall survive the completion of the Plan of Arrangement and shall continue in full force and effect in accordance with their terms for a period of not less than six (6) years from the Effective Date.
- (3) If the Company or any of its Subsidiaries or any of their respective successors or assigns (i) consolidates with or merges into any other Person and is not a continuing or surviving corporation or entity of such consolidation or merger, or (ii) transfers all or substantially all of its properties and assets to any Person, the Purchaser shall ensure that any such successor or assign (including, as applicable, any acquirer of substantially all of the properties and assets of the Company or its Subsidiaries) assumes all of the obligations set forth in this Section 4.7.

#### **Section 4.8 CSE Delisting**

Subject to applicable Laws, the Purchaser and the Company shall use their commercially reasonable efforts promptly following the Effective Time to cause the Company Shares to be de-listed from the CSE with effect promptly following the acquisition by the Purchaser of the Company Shares pursuant to the Arrangement.

### **ARTICLE 5 ADDITIONAL COVENANTS REGARDING NON-SOLICITATION**

#### **Section 5.1 Non-Solicitation**

- (1) Except as expressly provided in this Article 5, the Company shall not, directly or indirectly, through any officer, director, employee, representative (including any financial or other advisor) or an agent of it or any of its respective Subsidiaries (collectively "**Representatives**"), and shall not permit any such Person to:
- (a) make, solicit, initiate, knowingly facilitate, encourage or promote (including by way of furnishing or providing copies of, access to, or disclosure of, any confidential information, properties, facilities, books or records of the Company or any Subsidiary or entering into any form of agreement, arrangement or understanding) any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to, an Acquisition Proposal;
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- (b) enter into or otherwise engage or participate in any discussions or negotiations with any Person (other than the Purchaser or any of its affiliates) regarding any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to, an Acquisition Proposal, it being acknowledged and agreed that the Company may communicate with any Person for purposes of advising such Person of the restrictions in this Agreement and also advising such Person that their Acquisition Proposal does not constitute a Superior Proposal or is not reasonably expected to constitute or lead to a Superior Proposal; or
    - (c) enter into or publicly propose to enter into any agreement, understanding or arrangement in respect of an Acquisition Proposal (other than a confidentiality and standstill agreement permitted by and in accordance with Section 5.3).
  - (2) Except as expressly provided in this Article 5, the Company shall not, directly or indirectly, through any Representative or otherwise, and shall not permit any such Person to:
    - (a) make a Change in Recommendation; or
    - (b) accept, approve, endorse or recommend, or publicly propose to accept, approve, endorse or recommend, or take no position or remain neutral with respect to, any publicly announced or otherwise publicly disclosed Acquisition Proposal in respect of the Company (it being understood that taking no position or a neutral position with respect to a publicly announced or otherwise publicly disclosed Acquisition Proposal in respect of the Company for a period of no more than five (5) Business Days following the announcement or disclosure of such Acquisition Proposal will not be considered to be in violation of this Section 5.1 provided the Company Board has rejected such Acquisition Proposal and affirmed the Company Board Recommendation before the end of such five (5) Business Day period).
  - (3) The Company shall, and shall cause its Subsidiaries and its Representatives to, immediately cease and terminate, and cause to be terminated, any solicitation, encouragement, discussion, negotiations, or other activities commenced prior to the date of this Agreement with any Person (other than the Purchaser or its affiliates) with respect to any inquiry, proposal or offer that constitutes, or may reasonably be expected to constitute or lead to, an Acquisition Proposal, and in connection with such termination shall no longer provide access to any data room or provide any new disclosure of information, or access to properties, facilities, books and records of the Company or any of its Subsidiaries outside the Ordinary Course.
  - (4) The Company represents and warrants that the Company has not waived any confidentiality, standstill or similar agreement to which the Company or any Subsidiary is a party, and covenants and agrees that (i) the Company shall take all necessary action to enforce each confidentiality, standstill or similar agreement to which the Company or any of its Subsidiaries is a party, and (ii) neither the Company, nor any of its Subsidiaries nor any of their respective Representatives will, without the prior written consent of the Purchaser (which may be withheld or delayed in the Purchaser's sole and absolute discretion), release any Person from, or waive, amend, suspend or otherwise modify such Person's obligations respecting the Company, or any of its Subsidiaries, under any confidentiality, standstill or similar agreement to which the Company or any of its Subsidiaries is a party (it being acknowledged by the Purchaser that the automatic termination or release of any standstill restrictions of any such agreements as a result of entering into and announcing this Agreement shall not be a violation of this Section 5.1(4)).
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**Section 5.2 Notification of Acquisition Proposals**

- (1) If the Company or any of its Subsidiaries or any of their respective Representatives, receives, or otherwise becomes aware of any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to an Acquisition Proposal, or any request for copies of, access to, or disclosure of, confidential information that is made, or that may reasonably be perceived to be made, in connection with an Acquisition Proposal, including but not limited to information, access, or disclosure relating to the properties, facilities, books or records of the Company or any of its Subsidiaries, the Company shall immediately notify the Purchaser, at first orally, and then promptly and in any event within 48 hours in writing, of such Acquisition Proposal, inquiry, proposal, offer or request, including a description of its material terms and conditions and the identity of all Persons making the Acquisition Proposal, inquiry, proposal, offer or request, and shall provide the Purchaser with copies of any written Acquisition Proposal received in respect of, from or on behalf of any such Person. The Company shall keep the Purchaser reasonably informed on a current basis of the status of developments and (to the extent permitted by Section 5.3) negotiations with respect to such Acquisition Proposal, inquiry, proposal, offer or request, including any material changes, modifications or other amendments to any such Acquisition Proposal, inquiry, proposal, offer or request.

**Section 5.3 Responding to an Acquisition Proposal**

- (1) Notwithstanding Section 5.1, if at any time, prior to obtaining the approval by Company Shareholders of the Arrangement Resolution, the Company receives a written Acquisition Proposal, the Company may engage in or participate in discussions or negotiations with such Person regarding such Acquisition Proposal, and may provide copies of, access to or disclosure of confidential information, properties, facilities, books or records of the Company and its Subsidiaries if, and only if:
- (a) the Company Board first determines in good faith, after consultation with its financial advisors and its outside legal counsel, that such Acquisition Proposal constitutes or could reasonably be expected to constitute or lead to a Superior Proposal (disregarding for such determination any due diligence or access condition);
  - (b) such Person was not restricted from making such Acquisition Proposal pursuant to an existing standstill or similar restriction;
  - (c) the Company has been, and continues to be, in compliance with its obligations under this Article 5;
  - (d) prior to providing any such copies, access, or disclosure, the Company enters into a confidentiality agreement with such Person having terms that are not less onerous than those set out in the Confidentiality Agreement and any such copies, access or disclosure provided to such Person shall have already been (or simultaneously be) provided to the other Party; and
  - (e) the Company promptly provides the other Party with, prior to providing any such copies, access or disclosure, a true, complete and final executed copy of the confidentiality agreement referred to in Section 5.3(1)(d).
- (2) Nothing contained in this Agreement shall prevent the Company Board from:
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- (a) complying with Section 2.17 of National Instrument 62-104 - *Takeover Bids and Issuer Bids* and similar provisions under Securities Laws relating to the provision of a directors' circular in respect of an Acquisition Proposal; or
- (b) calling and/or holding a meeting of shareholders requisitioned by Company Shareholders in accordance with applicable Laws or taking any other action with respect to an Acquisition Proposal to the extent ordered or otherwise mandated by a court of competent jurisdiction in accordance with applicable Laws.

**Section 5.4 Purchaser Right to Match**

- (1) If the Company receives an Acquisition Proposal that constitutes a Superior Proposal prior to the approval of the Arrangement Resolution by the Company Shareholders, the Company Board may authorize the Company to, subject to compliance with Section 8.2, make a Change in Recommendation and enter into a definitive agreement with respect to such Superior Proposal, if and only if:
    - (a) the Person making the Superior Proposal was not restricted from making such Superior Proposal pursuant to an existing standstill or similar restriction;
    - (b) the Company has been, and continues to be, in compliance with its obligations under Article 5;
    - (c) the Company has delivered to the Purchaser a written notice of the determination of the Company Board that such Acquisition Proposal constitutes a Superior Proposal and of the intention of the Company Board to enter into such definitive agreement with respect to such Superior Proposal, together with a written notice from the Company Board regarding the value and financial terms that the Company Board, in consultation with its financial advisors, has determined should be ascribed to any non-cash consideration offered under such Superior Proposal (the "**Superior Proposal Notice**");
    - (d) the Company has provided the Purchaser a copy of the proposed definitive agreement for the Superior Proposal;
    - (e) at least seven (7) Business Days (the "**Matching Period**") have elapsed from the date that is the later of the date on which the Purchaser received the Superior Proposal Notice from the Company and the date on which the Purchaser received a copy of the proposed definitive agreement for the Superior Proposal from the Company;
    - (f) during any Matching Period, the Purchaser has had the opportunity (but not the obligation), in accordance with Section 5.4(2), to offer to the Company to amend this Agreement and the Arrangement in order for such Acquisition Proposal to cease to be a Superior Proposal;
    - (g) if the Purchaser has offered to the Company to amend this Agreement and the Arrangement under Section 5.4(2), the Company Board has determined in good faith, after consultation with the Company's outside legal counsel and financial advisors, that such Acquisition Proposal continues to constitute a Superior Proposal compared to the terms of the Arrangement as proposed to be amended by the Purchaser under Section 5.4(2);
    - (h) the Company Board has determined in good faith, after consultation with the Company's outside legal counsel that it is appropriate for the Company Board to enter into a definitive agreement with respect to such Superior Proposal; and
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- (i) prior to or concurrent with entering into such definitive agreement, the Company terminates this Agreement pursuant to Section 7.2(1)(c)(ii) and pays the Company Termination Fee pursuant to Section 8.2.
- (2) During the Matching Period, or such longer period as the Company may approve in writing (in its sole discretion) for such purpose: (a) the Company Board shall review any offer made by the Purchaser under Section 5.4(1)(f) to amend the terms of this Agreement and the Arrangement in good faith, in consultation with the Company's outside legal counsel and financial advisors, in order to determine whether such proposal would, upon acceptance, result in the Acquisition Proposal previously constituting a Superior Proposal ceasing to be a Superior Proposal; and (b) if the Company Board determines that such Acquisition Proposal would cease to be a Superior Proposal as a result of such amendment, the Company shall negotiate in good faith with the Purchaser to make such amendments to the terms of this Agreement and the Arrangement as would enable the Purchaser to proceed with the transactions contemplated by this Agreement on such amended terms. If the Company Board determines that such Acquisition Proposal would cease to be a Superior Proposal, the Company shall promptly so advise the Purchaser and the Parties shall amend this Agreement to reflect such offer made by the Purchaser, and shall take and cause to be taken all such actions as are necessary to give effect to the foregoing.
- (3) Each successive amendment or modification to any Acquisition Proposal in respect of the Company shall constitute a new Acquisition Proposal for the purposes of this Section 5.4, and the Purchaser shall be afforded a new Matching Period from the later of the date on which the Purchaser received the new Superior Proposal Notice from the Company and the date on which the Purchaser received a copy of the proposed definitive agreement for the new Superior Proposal from the Company.
- (4) At the Purchaser's request, the Company Board shall promptly reaffirm the Company Board Recommendation by press release after the Company Board determines that an Acquisition Proposal is not a Superior Proposal or the Company Board determines that a proposed amendment to the terms of this Agreement as contemplated under Section 5.4(2) would result in an Acquisition Proposal no longer being a Superior Proposal. The Company shall provide the Purchaser and its outside legal counsel with a reasonable opportunity to review the form and content of any such press release and shall make all reasonable amendments to such press release as requested by the Purchaser and its outside legal counsel.
- (5) If the Company provides a Superior Proposal Notice to the Purchaser on or after a date that is less than five (5) Business Days before the Company Meeting, the Company shall postpone the Company Meeting to a date acceptable to both Parties (acting reasonably) that is not more than ten (10) Business Days after the scheduled date of the Company Meeting but before the Outside Date.

#### **Section 5.5 Breach by Subsidiaries and Representatives**

Without limiting the generality of the foregoing, the Company shall advise its Subsidiaries and their respective Representatives of the prohibitions set out in this Article 5 and any violation of the restrictions set forth in this Article 5 by the Company, its Subsidiaries or their respective Representatives is deemed to be a breach of this Article 5 by the Company.

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## ARTICLE 6 CONDITIONS

### Section 6.1 Mutual Conditions Precedent

- (1) The Parties are not required to complete the Arrangement unless each of the following conditions is satisfied, which conditions may only be waived, in whole or in part, by the mutual consent of each of the Parties:
- (a) **Arrangement Resolution.** The Arrangement Resolution has been approved and adopted by the Company Shareholders at the Company Meeting in accordance with the Interim Order.
  - (b) **Interim and Final Order.** The Interim Order and the Final Order have both been obtained on terms consistent with this Agreement, and have not been set aside or modified in a manner unacceptable to either the Company or the Purchaser, each acting reasonably, on appeal or otherwise.
  - (c) **Consideration Shares and Exchange Approval.** The Consideration Shares to be issued upon completion of the Arrangement shall, subject only to the satisfaction of customary conditions required by the CSE, have been approved for listing on the CSE, as of the Effective Date and the CSE, shall have, if required, accepted notice for filing of all transactions of the Parties contemplated herein or necessary to complete the Arrangement, subject only to compliance with the usual requirements of the CSE.
  - (d) **Securities Law Exemptions.**
    - (i) The distribution of the Consideration Shares pursuant to the Arrangement shall be exempt from the prospectus requirements of applicable Securities Laws in Canada either by virtue of exemptive relief from the securities regulatory authorities of each of the provinces of Canada or by virtue of exemptions under applicable Securities Laws and shall not be subject to resale restrictions under applicable Securities Laws (other than as applicable to control persons or pursuant to Section 2.6 of National Instrument 45-102 - *Resale of Securities*).
    - (ii) The issuance of the Consideration Shares to the Company Shareholders will be exempt from the registration requirements of the U.S. Securities Act pursuant to the Section 3(a)(10) Exemption.
  - (e) **Articles of Arrangement.** The Articles of Arrangement to be sent to the Director under the OBCA in accordance with this Agreement shall be in a form and content satisfactory to the Company and the Purchaser, each acting reasonably.
  - (f) **Illegality.** No Law is in effect that makes the consummation of the Arrangement illegal or otherwise prohibits or enjoins the Company or the Purchaser from consummating the Arrangement.

### Section 6.2 Additional Conditions Precedent to the Obligations of the Purchaser

The Purchaser is not required to complete the Arrangement unless each of the following conditions is satisfied, which conditions are for the exclusive benefit of the Purchaser and may only be waived, in whole or in part, by the Purchaser in its sole discretion:

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- (1) **Representations and Warranties.** The representations and warranties of the Company set forth in: (i) Sections 2 [*Organization and Qualification*] and 3 [*Authority Relative to this Agreement*] of Schedule C shall be true and correct in all respects as of the date of this Agreement, and as of the Effective Time as if made as at and as of such time; (ii) the representations and warranties of the Company set forth in Section 6 [*Capitalization*] of Schedule C shall be true and correct in all material respects as of the date of this Agreement and as of the Effective Time as if made as at and as of such time; and (iii) all other representations and warranties of the Company set forth in this Agreement shall be true and correct in all respects (disregarding for purposes of this Section 6.2(1) any materiality or Material Adverse Effect qualification contained in any such representation or warranty) as of the date of this Agreement, and as of the Effective Time as if made at and as of such time (except that any such representation and warranty that by its terms speaks specifically as of the date of this Agreement or another date shall be true and correct in all respects as of such date), except in the case of this clause (iii) where the failure to be so true and correct in all respects, individually and in the aggregate, has not had or would not reasonably be expected to have a Material Adverse Effect on the Company, and the Company has delivered a certificate confirming same to the Purchaser, executed by two (2) senior officers or directors of the Company (in each case without personal liability) addressed to the Purchaser and dated the Effective Date.
  - (2) **Performance of Covenants.** The Company has fulfilled or complied in all material respects with each of its covenants contained in this Agreement to be fulfilled or complied with by it on or prior to the Effective Date, and has delivered a certificate confirming same to the Purchaser, executed by two (2) senior officers or directors of the Company (in each case without personal liability) addressed to the Purchaser and dated the Effective Date.
  - (3) **No Legal Action.** There is no action or proceeding pending or threatened by any Person (other than the Purchaser or its affiliates) in any jurisdiction that is reasonably likely to:
    - (a) cease trade, enjoin, prohibit, or impose any limitations, damages or conditions on, the Purchaser's ability to acquire, hold, or exercise full rights of ownership over, any Company Shares, including the right to vote Company Shares;
    - (b) prohibit or restrict the Arrangement, or the ownership or operation by the Purchaser of a material portion of the business or assets of the Purchaser or any of the Purchaser's Subsidiaries, the Company or any of the Company's Subsidiaries, or compel the Purchaser to dispose of or hold separate any material portion of the business or assets of the Purchaser or any of the Purchaser's Subsidiaries, the Company or any of the Company's Subsidiaries as a result of the Arrangement; or
    - (c) prevent or materially delay the consummation of the Arrangement, or if the Arrangement is consummated, have or be reasonably expected to have a Material Adverse Effect.
  - (4) **Material Adverse Effect.** Since the date of this Agreement, there shall not have occurred, or have been disclosed to the public (if previously undisclosed to the public), any change, event, occurrence, effect or circumstance that, individually or in the aggregate with other changes, events, occurrences, effects or circumstances, has had or could reasonably be expected to have, a Material Adverse Effect on the Company or any of its Subsidiaries, and the Company has delivered a certificate confirming same to the Purchaser, executed by two (2) senior officers or directors of the Company (in each case without personal liability) addressed to the Purchaser and dated the Effective Date.
  - (5) **Dissent Rights.** Dissent Rights have not been exercised (excluding any dissent rights that have been exercised and subsequently withdrawn) with respect to more than 5% of the issued and outstanding Company Shares.
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- (6) **Resignations and No Change of Control Payments.** The Company shall have received resignations from each director of the Company, effective as of the Effective Date, against receipt by such Persons of commercially reasonable releases from the Company and acceptable to the Purchaser, and no change of control or similar payments shall become owing by the Company or the Purchaser as a result of the completion of the Arrangement.
- (7) **Approvals.** All Regulatory Approvals has been given or obtained on terms acceptable to the Purchaser, acting reasonably, and each such Regulatory Approval is in force and has not been modified or rescinded, and the Company has delivered a certificate confirming same to the Purchaser, executed by two (2) senior officers or directors of the Company (in each case without personal liability) addressed to the Company and dated the Effective Date.
- (8) **Key Consents/Waivers.** Each of the Key Consents/Waivers has been given or obtained, or the steps to be taken have occurred, on terms acceptable to the Purchaser, and the Company has delivered a certificate confirming same to the Purchaser, executed by two (2) senior officers or directors of the Company (in each case without personal liability) addressed to the Purchaser and dated the Effective Date.
- (9) **Litigation.** No litigation or arbitration shall have been commenced nor shall any demand letter have been received which, in the Purchaser's opinion, could result in (individually or in the aggregate) claims against the Company (or any of its Subsidiaries) that could reasonably be expected to have a Material Adverse Effect on the Company.

#### **Section 6.3 Additional Conditions Precedent to the Obligations of the Company**

The Company is not required to complete the Arrangement unless each of the following conditions is satisfied, which conditions are for the exclusive benefit of the Company and may only be waived, in whole or in part, by the Company in its sole discretion:

- (1) **Representations and Warranties.** The representations and warranties of the Purchaser set forth in: (i) Sections 1 [*Organization and Qualification*] and 2 [*Authority Relative to this Agreement*] of Schedule D shall be true and correct in all respects as of the date of this Agreement, and as of the Effective Time as if made as at and as of such time; (ii) the representations and warranties of the Purchaser set forth in Section 5 [*Capitalization*] of Schedule D shall be true and correct in all material respects as of the date of this Agreement, and as of the Effective Time as if made as at and as of such time; and (iii) all other representations and warranties of the Purchaser set forth in this Agreement shall be true and correct in all respects (disregarding for purposes of this Section 6.3(1) any materiality or Material Adverse Effect qualification contained in any such representation or warranty) as of the date of this Agreement, and as of the Effective Time as if made at and as of such time (except that any such representation and warranty that by its terms speaks specifically as of the date of this Agreement or another date shall be true and correct in all respects as of such date), except in the case of this clause (iii) where the failure to be so true and correct in all respects, individually and in the aggregate, has not had or would not reasonably be expected to have a Material Adverse Effect on the Purchaser, and the Purchaser has delivered a certificate confirming same to the Company, executed by two (2) senior officers thereof (in each case without personal liability) addressed to the Company and dated the Effective Date.
  - (2) **Performance of Covenants.** The Purchaser has fulfilled or complied in all material respects with each of its covenants contained in this Agreement to be fulfilled or complied with by it on or prior to the Effective Date, and has delivered a certificate confirming same to the Company, executed by two (2) senior officers of the Purchaser (in each case without personal liability) addressed to the Company and dated the Effective Date.
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- (3) **No Legal Action.** There is no action or proceeding pending or threatened by any Person (other than the Company) in any jurisdiction that is reasonably likely to:
- (a) cease trade, enjoin, prohibit, or impose any limitations, damages or conditions on, Purchaser's ability to issue the Consideration Shares; or
  - (b) prevent or materially delay the consummation of the Arrangement, or if the Arrangement is consummated, have or be reasonably expected to have a Material Adverse Effect.
- (4) **Material Adverse Effect.** Since the date of this Agreement, there shall not have occurred, or have been disclosed to the public (if previously undisclosed to the public) any change, event, occurrence, effect or circumstance that, individually or in the aggregate with other changes, events, occurrences, effects or circumstances, has had or could reasonably be expected to have a Material Adverse Effect on the Purchaser or any of its Subsidiaries, and the Purchaser has delivered a certificate confirming same to the Company, executed by two (2) senior officers of the Purchaser (in each case without personal liability) addressed to the Company and dated the Effective Date.

**Section 6.4 Satisfaction of Conditions**

The conditions precedent set out in Section 6.1, Section 6.2 and Section 6.3 will be conclusively deemed to have been satisfied, waived or released when the Certificate of Arrangement is issued by the Director.

**ARTICLE 7  
TERM AND TERMINATION**

**Section 7.1 Term**

This Agreement shall be effective from the date hereof until the earlier of the Effective Time and the termination of this Agreement in accordance with its terms.

**Section 7.2 Termination**

- (1) This Agreement may be terminated prior to the Effective Time (notwithstanding any approval of this Agreement or the Arrangement Resolution by the Company Shareholders or the approval of the Arrangement by the Court) by:
- (a) the mutual written agreement of the Parties; or
  - (b) either the Company or the Purchaser if:
    - (i) the Required Approval is not obtained at the Company Meeting in accordance with the Interim Order, provided that a Party may not terminate this Agreement pursuant to this Section 7.2(1)(b)(i) if the failure to obtain the Required Approval has been caused by, or is a result of, a breach by such Party of any of its representations or warranties or the failure of such Party to perform any of its covenants or agreements under this Agreement;
    - (ii) after the date of this Agreement, any Law is enacted, made, enforced or amended, as applicable, that makes the consummation of the Arrangement illegal or otherwise permanently prohibits or enjoins the Company or the Purchaser from consummating the Arrangement, and such Law has, if applicable, become final and non-appealable, provided the Party seeking to terminate this Agreement pursuant to this Section 7.2(1)(b)(ii) has used its commercially reasonable efforts to, as applicable, appeal or overturn such Law or otherwise have it lifted or rendered non-applicable in respect of the Arrangement; or
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- (iii) the Effective Time has not occurred by the Outside Date, provided that a Party may not terminate this Agreement pursuant to this Section 7.2(1)(b)(iii) if the failure of the Effective Time to so occur has been caused by, or is a result of, a breach by such Party of any of its representations or warranties or the failure of such Party to perform any of its covenants or agreements under this Agreement;
  - (c) the Company if:
    - (i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Purchaser under this Agreement occurs that would cause any condition in Section 6.3(1) [*Purchaser Representations and Warranties Condition*] or Section 6.3(2) [*Purchaser Covenants Condition*] not to be satisfied, and such breach or failure is incapable of being cured or is not cured on or prior to the Outside Date in accordance with the terms of Section 4.6(3); provided that the Company is not then in breach of this Agreement so as to cause any condition in Section 6.2 not to be satisfied;
    - (ii) prior to the approval by the Company Shareholders of the Arrangement Resolution, the Company Board authorizes the Company to accept, approve or recommend or enter into a definitive written agreement with respect to, a Superior Proposal (other than a confidentiality agreement permitted by and in accordance with Section 5.3), provided the Company is then in compliance with Article 5 and that prior to or concurrent with such termination the Company pays the Termination Fee in accordance with Section 8.2;
    - (iii) since the date of this Agreement, there has occurred and is continuing a Material Adverse Effect with respect to the Purchaser.
  - (d) The Purchaser if:
    - (i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Company under this Agreement occurs that would cause any condition in Section 6.2(1) [*Company Representations and Warranties Condition*] or Section 6.2(2) [*Company Covenants Condition*] not to be satisfied, and such breach or failure is incapable of being cured on or prior to the Outside Date or is not cured in accordance with the terms of Section 4.6(3); provided that the Purchaser is not then in breach of this Agreement so as to cause any condition in Section 6.3 not to be satisfied;
    - (ii) other than as permitted by Article 5, the Company Board or any committee of the Company Board fails to unanimously recommend or withdraws, amends, modifies or qualifies, publicly proposes or states its intention to do so, or fails to publicly reaffirm (without qualification) within five (5) Business Days after having been requested in writing by the Purchaser to do so, the Company Board Recommendation, or takes no position or a neutral position with respect to an Acquisition Proposal for more than five (5) Business Days after first learning of an Acquisition Proposal or takes any other action that is or becomes disclosed publicly and which can reasonably be interpreted to indicate that the Company Board or a committee of the Company Board does not unanimously support the Arrangement and this Agreement or does not unanimously believe that the Arrangement and this Agreement are in the best interests of the Company and its security holders (in each case, a "**Change in Recommendation**"), or the Company Board or any committee of the Company Board resolves or proposes to take any of the foregoing actions;
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- (iii) the Company breaches Article 5 in any material respect;
  - (iv) any event occurs as a result of which the condition set forth in Section 6.2(5)[*Dissent Rights*] is not capable of being satisfied by the Outside Date; or
  - (v) since the date of this Agreement, there has occurred and is continuing a Material Adverse Effect with respect to the Company.
- (2) The Party desiring to terminate this Agreement pursuant to this Section 7.2 (other than pursuant to Section 7.2(1)(a)) shall give written notice of such termination to the other Party, specifying in reasonable detail the basis for such Party's exercise of its termination right.

**Section 7.3 Effect of Termination/Survival**

- (1) If this Agreement is terminated pursuant to Section 7.2, this Agreement shall become void and of no further force or effect without liability of any Party (or any shareholder, director, officer, employee, agent, consultant or representative of such Party) to any other Party to this Agreement, except that this Section 7.3, Section 2.4(4), Section 2.4(8), Section 8.2 through to and including Section 8.14, and the provisions of the Confidentiality Agreement shall survive in accordance with their terms, and provided further that no Party shall be relieved of any liability for any willful breach by it of this Agreement occurring prior to such termination.
- (2) As used in this Section 7.3, "willful breach" means a breach that is a consequence of an act undertaken by the breaching party with the actual knowledge that the taking of such act would, or would be reasonably expected to, cause a breach of this Agreement.

**ARTICLE 8  
GENERAL PROVISIONS**

**Section 8.1 Amendments**

This Agreement and the Plan of Arrangement may, at any time and from time to time before or after the holding of the Company Meeting but not later than the Effective Time, be amended by mutual written agreement of the Parties, and any such amendment may, subject to the Interim Order and the Final Order and applicable Law, without limitation:

- (a) change the time for performance of any of the obligations or acts of the Parties;
  - (b) modify any representation or warranty contained in this Agreement or in any document delivered pursuant to this Agreement;
  - (c) waive compliance with or modify any inaccuracies or any of the covenants contained in this Agreement and waive or modify performance of any of the obligations of the Parties; and/or
  - (d) waive compliance with or modify any mutual conditions contained in this Agreement.
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**Section 8.2 Company Termination Fee**

- (1) Despite any other provision in this Agreement relating to the payment of fees and expenses, including the payment of brokerage fees, if a Company Termination Fee Event occurs, the Company shall pay the Company Termination Fee to the Purchaser, in each case in accordance with Section 8.2(3).
  - (2) For the purposes of this Agreement, "**Company Termination Fee**" means \$3,500,000, and "**Company Termination Fee Event**" means the termination of this Agreement:
    - (a) by the Purchaser, pursuant to Section 7.2(1)(d)(ii) *[Change in Recommendation]* or Section 7.2(1)(d)(iii) *[Breach of Article 5]*;
    - (b) by the Company pursuant to Section 7.2(1)(c)(ii) *[Superior Proposal]*; or
    - (c) by the Company or the Purchaser pursuant to Section 7.2(1)(b)(i) *[Failure of Company Shareholders to Approve]* or Section 7.2(1)(d)(i) *[Breach of Reps, Warranties or Covenants by the Company]* on the basis of a Willful Breach, if:
      - (i) prior to such termination, an Acquisition Proposal is publicly announced or otherwise publicly disclosed by any Person (other than the Purchaser or any of its affiliates) or any Person (other than the Purchaser or any of its affiliates) shall have publicly announced an intention to make an Acquisition Proposal; and
      - (ii) within nine (9) months following the date of such termination, (A) an Acquisition Proposal (whether or not such Acquisition Proposal is the same Acquisition Proposal referred to in clause (i) above) is consummated, or (B) the Company or one or more of its Subsidiaries, directly or indirectly, in one or more transactions, enters into a contract in respect of an Acquisition Proposal (whether or not such Acquisition Proposal is the same Acquisition Proposal referred to in clause (i) above) and such Acquisition Proposal is later consummated (whether or not within nine (9) months after such termination),  
  
in which case the Company Termination Fee shall be payable on or prior to consummation of the application transaction referred to therein. For purposes of the foregoing, the term "**Acquisition Proposal**" shall have the meaning assigned to such term in Section 1.1, except that references to "20% or more" shall be deemed to be references to "50% or more".
  - (3) The Company Termination Fee shall be paid by the Company to the Purchaser by wire transfer of immediately available funds to an account designated by the Purchaser as follows:
    - (a) if a Company Termination Fee Event occurs due to a termination of this Agreement described in Section 8.2(2)(a), within two (2) Business Days of the occurrence of such Company Termination Fee Event; and
    - (b) if a Company Termination Fee Event occurs due to a termination of this Agreement described in Section 8.2(2)(b), concurrently with such termination.
  - (4) The Company acknowledges that the agreements contained in this Section 8.2 are an integral part of the transactions contemplated by this Agreement, and that without these agreements the Purchaser would not enter into this Agreement, and that the amounts set out in this Section 8.2 represent liquidated damages which are a genuine pre-estimate of the damages, including opportunity costs, which the Purchaser will suffer or incur as a result of the event giving rise to such damages and resultant termination of this Agreement, and is not a penalty. The Company irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive.
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- (5) The Purchaser agrees that the payment of the Company Termination Fee pursuant to this Section 8.2 is the sole monetary remedy as a result of the occurrence of any of the events referred to in this Section 8.2. Subject to the immediately preceding sentence, nothing in this Agreement shall preclude the Purchaser from seeking and being awarded damages in respect of losses incurred or suffered by the Purchaser as a result of any breach of this Agreement by the Company, seeking and obtaining injunctive relief to restrain any breach or threatened breach of the covenants or agreements set forth in this Agreement or the Confidentiality Agreement or otherwise, or seeking and being awarded specific performance of any of such covenants or agreements, without the necessity of posting a bond or security in connection therewith.

### **Section 8.3 Expenses**

- (1) All out-of-pocket third party transaction expenses incurred in connection with this Agreement and the Plan of Arrangement, including all costs, expenses and fees of the Company incurred prior to or after the Effective Date in connection with, or incidental to, the Plan of Arrangement, shall be paid by the Party incurring such expenses, whether or not the Arrangement is consummated.
- (2) Except as disclosed in the Company Disclosure Letter, the Company confirms that no broker, finder or investment banker is or will be entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement.

### **Section 8.4 Notices**

Any notice, direction or other communication given pursuant to this Agreement (each a "**Notice**") must be in writing, sent by hand delivery, courier or email and is deemed to be given and received: (i) on the date of delivery by hand or courier if it is a Business Day and the delivery was made prior to 4:00 p.m. (local time in the place of receipt), and otherwise on the next Business Day; or (ii) if sent by email on the date of transmission if it is a Business Day and transmission was made prior to 5:00 p.m. (local time in the place of receipt) and otherwise on the next Business Day, in each case to the Parties at the following addresses (or such other address for a Party as specified by like Notice):

- (a) to the Company at:

150 King Street West  
Suite 214  
Toronto, Ontario  
M5H 1J9

Attention: Michael Ruscetta, Chief Executive Officer and Dan Cohen, VP General Counsel  
E-mail: [redacted]; [redacted]

with a copy to:

Torys LLP  
Suite 3300, 79 Wellington Street West  
Toronto, Ontario  
M5K 1N2

Attention: Janan Paskaran and Frazer House  
E-mail: [redacted]; [redacted]

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(b) to the Purchaser at:

550 Burrard Street  
Suite 2300  
Vancouver, British Columbia  
V6C 2B5

Attention: Oren Shuster, Chief Executive Officer and Yael Harrosh, General Counsel and Corporate Secretary  
E-mail: [redacted]; [redacted]

with a copy to:

Gowling WLG (Canada) LLP  
1 First Canadian Place  
100 King St. W. Suite 1600  
Toronto, ON M5X 1G5

Attention: Peter Simeon  
E-mail: [redacted]

Rejection or other refusal to accept, or inability to deliver because of changed address of which no Notice was given, shall be deemed to be receipt of the Notice as of the date of such rejection, refusal or inability to deliver. Sending a copy of a Notice to a Party's legal counsel as contemplated above is for information purposes only and does not constitute delivery of the Notice to that Party. The failure to send a copy of a Notice to legal counsel does not invalidate delivery of that Notice to a Party.

#### **Section 8.5 Time of the Essence**

Time is of the essence in this Agreement.

#### **Section 8.6 Injunctive Relief**

The Parties agree that irreparable harm would occur for which money damages would not be an adequate remedy at Law in the event that any of the provisions of this Agreement were not performed by a Party in accordance with their specific terms or were otherwise breached by a Party. It is accordingly agreed that each Party shall be entitled to injunctive and other equitable relief to prevent breaches of this Agreement, and to enforce compliance with the terms of this Agreement against the other Party without any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief, this being in addition to any other remedy to which a Party may be entitled at Law or in equity.

#### **Section 8.7 Third Party Beneficiaries**

- (1) Except as provided in Section 2.7 and Section 4.7, which, without limiting its terms, is intended as stipulations for the benefit of the third parties mentioned in such provisions (such third parties referred to in this Section 8.7 as the "**Indemnified Persons**"), the Parties intend that this Agreement will not benefit or create any right or cause of action in favour of any Person, other than the Parties and that no Person, other than the Parties, shall be entitled to rely on the provisions of this Agreement in any action, suit, proceeding, hearing or other forum.
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- (2) Despite the foregoing, the Purchaser acknowledges to each of the Indemnified Persons their direct rights against it under Section 2.7 and Section 4.7 of this Agreement, which is intended for the benefit of, and shall be enforceable by, each Indemnified Person, his or her heirs and his or her legal representatives, and for such purpose, the Company confirms that it is acting as trustee on their behalf, and agrees to enforce such provision on their behalf. The Parties reserve their right to vary or rescind the rights at any time and in any way whatsoever, if any, granted by or under this Agreement to any Person who is not a Party, without notice to or consent of that Person, including any Indemnified Person.

#### **Section 8.8 Waiver**

No waiver of any of the provisions of this Agreement will constitute a waiver of any other provision (whether or not similar). No waiver will be binding unless executed in writing by the Party to be bound by the waiver. A Party's failure or delay in exercising any right under this Agreement will not operate as a waiver of that right. A single or partial exercise of any right will not preclude a Party from any other or further exercise of that right or the exercise of any other right.

#### **Section 8.9 Entire Agreement**

This Agreement, together with the Confidentiality Agreement, constitutes the entire agreement between the Company, on one hand, and the Purchaser, on the other hand, with respect to the transactions contemplated by this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, between the Company, on one hand, and the Purchaser, on the other hand. There are no representations, warranties, covenants, conditions or other agreements, express or implied, collateral, statutory or otherwise, between the Company, on one hand, and the Purchaser, on the other hand in connection with the subject matter of this Agreement, except as specifically set forth in this Agreement. The Company, on one hand, and the Purchaser, on the other hand, have not relied and are not relying on any other information, discussion or understanding in entering into and completing the transactions contemplated by this Agreement.

#### **Section 8.10 Successors and Assigns**

- (1) This Agreement becomes effective only when executed by the Company and the Purchaser. After that time, it will be binding upon and enure to the benefit of the Company and the Purchaser and their respective successors and permitted assigns.
- (2) Neither this Agreement nor any of the rights or obligations under this Agreement are assignable or transferable by any Party without the prior written consent of the other Party, provided however that the Purchaser (or any permitted assign of the Purchaser) may, at any time, assign its rights and obligations under this Agreement without such consent to an affiliate of the Purchaser if such assignee delivers an instrument in writing confirming that it is bound by and shall perform all of the obligations of the assigning party under this Agreement as if it were an original signatory and provided further that the assigning party shall not be relieved of its obligations hereunder.

#### **Section 8.11 Severability**

If any provision of this Agreement is determined to be illegal, invalid or unenforceable by an arbitrator or any court of competent jurisdiction, that provision will be severed from this Agreement and the remaining provisions shall remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

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**Section 8.12 Governing Law**

- (1) This Agreement will be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.
- (2) Each Party irrevocably attorns and submits to the non-exclusive jurisdiction of the courts situated in the City of Toronto and waives objection to the venue of any proceeding in such court or that such court provides an inconvenient forum.

**Section 8.13 Rules of Construction**

The Parties to this Agreement waive the application of any Law or rule of construction providing that ambiguities in any agreement or other document shall be construed against the party drafting such agreement or other document.

**Section 8.14 No Liability**

No director or officer of the Purchaser or any of its Subsidiaries shall have any personal liability whatsoever to the Company under this Agreement or any other document delivered on behalf of the Purchaser or any of its Subsidiaries under this Agreement. No director or officer of the Company or any of its Subsidiaries shall have any personal liability whatsoever to the Purchaser under this Agreement or any other document delivered on behalf of the Company or any of its Subsidiaries under this Agreement.

**Section 8.15 Counterparts**

This Agreement may be executed in any number of counterparts (including counterparts by facsimile) and all such counterparts taken together shall be deemed to constitute one and the same instrument. The Parties shall be entitled to rely upon delivery of an executed facsimile or similar executed electronic copy of this Agreement, and such facsimile or similar executed electronic copy shall be legally effective to create a valid and binding agreement between the Parties.

*[Remainder of page intentionally blank; signature page follows]*

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IN WITNESS WHEREOF the Parties have executed this Arrangement Agreement.

**IM CANNABIS CORP.**

By: signed "Oren Shuster"  
Authorized Signing Officer

**TRICHOME FINANCIAL CORP.**

By: signed "Michael Ruscetta"  
Authorized Signing Officer

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SCHEDULE A  
FORM OF PLAN OF ARRANGEMENT

[NTD: To be attached.]

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**SCHEDULE B**  
**ARRANGEMENT RESOLUTION**

1. The arrangement (the "**Arrangement**") under Section 182 of the *Business Corporations Act* (Ontario) (the "**OBCA**") involving Trichome Financial Corp. (the "**Company**"), a corporation existing pursuant to the OBBCA, and certain of its security holders, pursuant to the arrangement agreement between the Company and IM Cannabis Corp., a corporation existing pursuant to the *Business Corporations Act* (British Columbia) and dated December 30, 2020, as it may be modified, supplemented or amended from time to time in accordance with its terms (the "**Arrangement Agreement**"), as more particularly described and set forth in the management information circular of the Company dated ●, 2021 (the "**Circular**"), and all transactions contemplated thereby, are hereby authorized, approved and adopted.
  2. The plan of arrangement of the Company and certain of its security holders, and implementing the Arrangement, as it has been or may be modified, supplemented or amended in accordance with the Arrangement Agreement and its terms (the "**Plan of Arrangement**"), the full text of which is set out as Appendix ● to the Circular, is hereby authorized, approved and adopted.
  3. The: (i) Arrangement Agreement and all the transactions contemplated therein; (ii) actions of the directors of the Company in approving the Arrangement and the Arrangement Agreement; and (iii) actions of the directors and officers of the Company in executing and delivering the Arrangement Agreement and any modifications, supplements or amendments thereto, and causing the performance by the Company of its obligations thereunder, are hereby ratified, confirmed and approved.
  4. The Company is hereby authorized to apply for a final order from the Ontario Superior Court of Justice (Commercial List) (the "**Court**") to approve the Arrangement on the terms set forth in the Arrangement Agreement and the Plan of Arrangement (as they may be amended, modified or supplemented and as described in the Circular).
  5. Notwithstanding that this resolution has been passed (and the Arrangement adopted) by the holders of common shares of the Company (the "**Company Shareholders**") and the holders of the Company's outstanding 9.00% convertible debentures (the "**Company Debentures**"), or that the Arrangement has been approved by the Court, the directors of the Company are hereby authorized and empowered, without further notice to or approval of the Company Shareholders or the holders of Company Debentures: (i) to amend, modify or supplement the Arrangement Agreement or the Plan of Arrangement to the extent permitted by their terms; and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement and any related transactions.
  6. Any officer or director of the Company is hereby authorized and directed, for and on behalf of the Company, to execute, whether under corporate seal of the Company or otherwise, and to deliver any records, information or other documents required by the Director under the OBBCA in accordance with the Arrangement Agreement.
  7. Any officer or director of the Company is hereby authorized and directed, for and on behalf of the Company, to execute or cause to be executed and to deliver or cause to be delivered, for filing with the Director under the OBBCA, articles of arrangement and all such other documents and instruments and to perform or cause to be performed all such other acts and things as, in such person's opinion, may be necessary or desirable to give full force and effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of any such articles of arrangement and any such other document or instrument or the doing of any such other act or thing.
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**SCHEDULE C  
REPRESENTATIONS AND WARRANTIES OF THE COMPANY**

**[NTD: To be attached.]**

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**SCHEDULE D  
REPRESENTATIONS AND WARRANTIES OF THE PURCHASER**

**[NTD: To be attached.]**

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**MATERIAL CHANGE REPORT**

***Item 1 - Name and Address of Company***

IM Cannabis Corp. (the "**Company**")  
550 Burrard St. #2300  
Vancouver, BC, V6C 2B5

***Item 2 - Date of Material Change***

December 30, 2020

***Item 3 - News Release***

A press release disclosing the material change was released on December 30, 2020 through the facilities of Accesswire.

***Item 4 - Summary of Material Change***

The Company has agreed to acquire Trichome Financial Corp. ("**Trichome**") pursuant to the terms and subject to the conditions of a definitive arrangement agreement (the "**Arrangement Agreement**") dated December 30, 2020 between the Company and Trichome (the "**Transaction**").

***Item 5 - Full Description of Material Change***

***5.1 - Full Description of Material Change***

Under the terms of the Arrangement Agreement, the shareholders of Trichome will receive 0.981 common shares of the Company for each common share of Trichome. The acquisition of Trichome is expected to create a global cannabis production with operations in Israel and Germany's medical cannabis markets under the IMC brand, and in Canada's adult-use recreational market through Trichome's wholly-owned subsidiary, Trichome JWC Acquisition Corp. d/b/a JWC.

The Transaction will require the approval of: (i) two-thirds of the votes cast by shareholders of Trichome; and (ii) 50%+1 of the Trichome shareholders, excluding shares held by Marc Lustig and Michael Ruscetta in accordance with Multilateral Instrument 61-101, in each case at special meetings expected to take place in Q1 2021. Each of Trichome's directors and officers as well as shareholders Cresco Labs Inc. (CSE:CL) and Opaskawayak Cree Nation, who collectively hold approximately 34% of the outstanding common shares of Trichome, have entered into voting and support agreements to vote their shares in favour of the Transaction and lock-up agreements restricting the resale of IMC common shares to be owned by such persons upon closing of the Transaction to a staggered 1/6 release per month of such shares for a period of 6 months. Certain Trichome convertible debenture holders representing approximately 75% of the outstanding principal amount of such Trichome convertible debentures have also entered into voting and support agreements in favour of the Transaction. Subsequent to the date of the Arrangement Agreement, Trichome accelerated conversion of the convertible debentures by press release dated January 5, 2021 and the parties intend to enter into an amendment to the Arrangement Agreement to reflect the conversion of the debentures and the fact that no debentureholder meeting will be required. The shares issued on conversion of the debentures represent approximately 3% of the issued and outstanding shares of Trichome and the shares issued to the debentureholders who signed voting and support agreements remain subject to those agreements.

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The Arrangement Agreement includes customary representations, warranties and covenants, including covenants not to solicit other acquisition proposals and the right to match any superior proposals. A termination fee of \$3.5 million will be paid to the Company in certain circumstances should the Transaction not be completed.

Completion of the Transaction is subject to court and regulatory approvals, which are currently expected to be received in the first half of 2021.

***5.2 - Disclosure for Restructuring Transactions***

Not applicable.

***Item 6 - Reliance on subsection 7.1(2) of National Instrument 51-102***

Not applicable.

***Item 7 - Omitted Information***

Not applicable.

***Item 8 - Executive Officer***

Yael Harrosh  
Corporate Secretary  
+972-54-6687515

***Item 9 - Date of Report***

January 8, 2021.

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**Form 45-102F1**

**Notice of Intention to Distribute Securities under Section 2.8 of  
NI 45-102 *Resale of Securities***

**Reporting issuer**

1. Name of reporting issuer:

IM Cannabis Corp.

**Selling security holder**

2. Your name:

Rafael Gabay

3. The offices or positions you hold in the reporting issuer:

Director and 10% Security Holder of the Issuer

4. Are you selling securities as a lender, pledgee, mortgagee or other encumbrancer?

No

5. Number and class of securities of the reporting issuer you beneficially own:

32,558,139 common shares held directly and 6,140 common shares held through Ewave Group Ltd. for an aggregate of 32,564,279 common shares, representing 20.37% of the current issued and outstanding common shares of IM Cannabis Corp.

360,000 options, with each option exercisable to acquire one common share.

23,810 warrants, with each warrant exercisable to acquire one common share.

**Distribution**

6. Number and class of securities you propose to sell:

650,000

7. Will you sell the securities privately or on an exchange or market? If on an exchange or market, provide the name.

The Canadian Securities Exchange

**Warning**

**It is an offence to submit information that, in a material respect and in light of the circumstances in which it is submitted, is misleading or untrue.**

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**Certificate**

I certify that

- (1) I have no knowledge of a material fact or material change with respect to the issuer of the securities that has not been generally disclosed; and
- (2) the information given in this form is true and complete.

Date January 11, 2021

Rafael Gabay

Your name (Selling security holder)

"Rafael Gabay"

Your signature (or if a company, the signature of your authorized signatory)

\_\_\_\_\_  
Name of your authorized signatory

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## IM Cannabis Releases Message from CEO and 2021 Outlook

**Toronto, Canada; Glil Yam, Israel - January 12, 2021** - IM Cannabis Corp. (the "**Company**" or "**IMC**") (CSE:IMCC), a multi-country operator ("**MCO**") in the medical cannabis sector with operations in Israel and across Europe, is pleased to release a message from its Chief Executive Officer, Oren Shuster.

### Message to Shareholders

Dear Shareholders,

2020 was an exceptional year for IMC and I am delighted to share that the Company is in a better position than ever to execute on its international expansion plans.

Two weeks ago, we announced a definitive agreement for the proposed acquisition (the "**Trichome Transaction**") of Trichome Financial Corp. (CSE:TFC, "**Trichome**"). Once completed, we will be the only MCO with established direct operations in Israel, the EU and Canada. Furthermore, not only do we expect the Trichome Transaction to expand our global platform to include the Canadian adult-use recreational cannabis market, but it would also secure the supply of premium cannabis from an indoor cultivation facility, which we believe is in high demand in both Israel and Europe. As well, the Company expects to benefit from the exceptionally talented Trichome team who collectively have expertise in cultivation, sales, marketing, restructuring, mergers and acquisitions. We believe that this team will assist us in executing an M&A strategy in North America with the goal of firmly establishing IMC globally over the long-term. The Trichome Transaction is expected to close in the first half of 2021 and was approved with the unanimous support of both IMC's board of directors (other than Marc Lustig who, as a director of both IMC and Trichome declared his conflict and abstained from voting in accordance with applicable law), as well as the independent directors of Trichome, who have also recommended that Trichome shareholders approve the Trichome Transaction at an upcoming special meeting of Trichome shareholders. For further details concerning the Trichome Transaction, including strategic and financial transaction highlights, please refer to the joint news release of IMC and Trichome dated December 30, 2020, a copy of which is filed on our SEDAR profile at [www.sedar.com](http://www.sedar.com).

While the Trichome Transaction is our most recent milestone, it comes at the end of a prosperous year during which our team successfully made a number of significant accomplishments. In Israel, six pharmacy sales agreements were signed by Focus Medical Herbs Ltd. ("**Focus Medical**") to bring IMC-branded medical cannabis to over 100 pharmacies across Israel. We began deliveries pursuant to these pharmacy sales agreements in Q2 2020 and shipments have accelerated since then. In Germany, we have established a national distribution network with ten distribution partners selling IMC-branded products in German pharmacies and we have expanded our internal sales team accordingly. We continue our focus on building physician awareness and engagement with our brand to drive sales in the German market.

These milestones would not be as meaningful if they did not translate into financial results. In Q3 2020, we reported a 57% sequential increase to consolidated revenues and achieved consolidated positive adjusted EBITDA for the first time. We believe that the completion of the Trichome Transaction will support our expectation to maintain consolidated positive adjusted EBITDA in 2021, as both IMC and Trichome share a similar high growth profile and financial discipline.

We expect that we will continue to drive shareholder value with conviction in our long-term strategy throughout 2021. We believe our efforts to list on the NASDAQ Capital Market ("**NASDAQ**") are on track to be finalized in Q1 2021 and, in order to continue investing in our North American growth, we are delighted that Marc Lustig has taken on the role of Executive Chairman of IMC. As we are seeing global cannabis markets become more accommodative, we continue to see many organic growth and acquisition opportunities in Israel, Europe and North America. We are confident that we have the right team in place to take advantage of these opportunities.

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We extend our sincere thanks to you, our shareholders and industry colleagues, for your continued support of IMC.

Sincerely,

Oren Shuster

#### **Israeli Market Update**

We believe that the industry landscape in Israel remains very supportive of the continued growth of IMC.

On the regulatory front, a government committee responsible for advancing cannabis market reform published a report (the **Report**) concluding that it supports and recommends the legalization of adult-use recreational cannabis in the State of Israel. Based on the Report, the Israeli Ministry of Justice is expected to formulate a bill to begin the legislative process towards the legalization of adult-use recreational cannabis. The government committee made its recommendation for legalization based on the increasing demand for adult-use recreational cannabis in Israel.

We are also seeing increasing demand in Israel through a significant increase in patient count. Data recently published by the Israeli Medical Cannabis Association indicates that there are currently over 77,000 medical cannabis patients in Israel, which represents over 100% growth in the last two years. The Israeli market is unique in that black market prices are higher than medical cannabis prices, a dynamic which remains very positive for legal market participants like IMC.

In the first half of 2020, Focus Medical signed six binding sales agreements for the distribution of IMC-branded products with leading pharmacies in Israel. To date, IMC-branded products are being sold in over 100 pharmacies in Israel. Total consolidated revenue from all binding sales agreements in Israel is expected to be approximately \$193.5 million with an expected gross margin of 50% over the next three years.

During 2020, Focus Medical also signed several supply agreements with Israeli-licensed cannabis producers to increase its cultivation capacity to meet the growing demand for IMC products in the Israeli market.

#### **European Market Update**

Adjupharm GmbH ("**Adjupharm**"), IMC's German-based subsidiary, fully established our distribution platform in Germany in 2020. Adjupharm, an EU-GMP certified distributor, has ten distributors currently selling IMC-branded products to German pharmacies, all of which signed binding commitments in 2020.

In Q3 2020, IMC disclosed that in partnership with a local Dutch partner, IMC Holland B.V. ("**IMC Netherlands**") submitted an application to participate in the Dutch government's controlled cannabis supply chain license tender. IMC Netherlands advanced throughout the regulatory review process but was unfortunately not awarded a license. Our team is in active discussions to partner with a successful license applicant and we believe there are many benefits IMC can offer to such potential partners.

#### **Corporate Update**

In December 2020, our shareholders approved a special resolution for the consolidation of the Company's common shares, if, as and when determined by IMC's board of directors (the "**Share Consolidation**"). If implemented, the Share Consolidation will increase the Company's common share price to meet the minimum share price requirements for the proposed listing on NASDAQ.

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## **Management Changes**

Concurrent with the announcement of the proposed Trichome Transaction, we announced the strengthening of our management team with the appointment of Marc Lustig to the position of Executive Chairman. Mr. Lustig has been working very closely with the executive team on our North American acquisition and capital markets strategy. Upon the successful completion of the Trichome Transaction, we believe that the timing will be right for IMC to establish a leadership presence in this very developed cannabis market.

In addition, the Company announces that Yaron Berger and Focus Medical have mutually decided to part ways. Mr. Berger served as CEO of Focus Medical's Israeli operation since January 2020. The Company and Focus Medical thank Mr. Berger for his efforts and wishes him well in his future endeavors.

## **About IM Cannabis Corp.**

IMC is an MCO in the medical cannabis sector with operations in Israel and Germany. Over the past decade, IMC has built its brand as a provider of premium medical cannabis products in the Israeli market. The Company has also expanded its business to offer intellectual property related services to the medical cannabis industry.

In Europe, IMC operates through a German-based subsidiary and EU-GMP certified medical cannabis distributor-Adjupharm. IMC's European presence is also augmented by strategic alliances with various pan-European EU-GMP cultivators and distributors with the objective of capitalizing on the increased demand for medical cannabis products in Europe and bringing the IMC brand and its product portfolio to European patients.

IMC partners with renowned academic institutions and scientists, as well as allocates resources and investments for the development of innovative technologies in order to improve the lives of medical cannabis users around the world.

## **About Focus Medical Herbs Ltd.**

Focus Medical is one of eight original licensed producers of medical cannabis in Israel and has over 10 years of experience growing high quality medical cannabis in the Israeli market. Focus Medical has an exclusive commercial agreement with IMC to distribute its products under the IMC brand. In addition to its own capacity, Focus Medical has supply agreements with four other cultivators for additional medical cannabis supply using its proprietary genetics and for sale under the IMC brand.

## ***Disclaimer for Forward-Looking Statements***

This press release contains "forward-looking information" within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "likely" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. Forward-looking information in this press release includes, without limitation, statements relating to the demand for cannabis cultivated in indoor facilities in Israel and Europe, the completion of the Share Consolidation, the listing of IMC's common shares (the "**Common Shares**") on NASDAQ, including but not limited to the receipt of all approvals in respect of its listing application and the timing for listing on NASDAQ following approval of such listing application, the registration of the Common Shares with the United States Securities and Exchange Commission (the "**SEC**") and the timing of the SEC's review, expected consolidated revenue and gross margin from previously announced pharmacy sales agreements, the nature and timing of the decriminalization and/or legalization of adult-use recreational cannabis in Israel, expectations for the affordability and adoption of legal adult-use recreational cannabis by Israeli consumers, the growth of the legal adult-use recreational cannabis market in Israel, IMC's brand position in the medical cannabis market in Israel, the strategic rationale for the Trichome Transaction, the timing of required regulatory, court and securityholder approvals for the Trichome Transaction and other customary closing conditions, the timing of the completion of the Trichome Transaction, the anticipated benefits of the Trichome Transaction, including corporate, operational and financial benefits and the timing thereof, the ability of the combined company to meet its financial targets and strategic objectives, including the expected consolidated positive adjusted EBITDA in 2021, the Company's ability to grow organically and through acquisitions in Israel, Europe and North America, and the Company's business and strategic plans.

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Forward-looking information is based on assumptions that may prove to be incorrect, including but not limited to the ability of the Company to execute its business plan, the continued growth of the medical cannabis market in the countries in which the Company operates or intends to operate, the Company maintaining "de facto" control over Focus Medical in accordance with IFRS 10, Focus Medical maintaining its existing Israeli cultivation license and the expected decriminalization and/or legalization of adult-use recreational cannabis in Israel. The Company considers these assumptions to be reasonable in the circumstances. However, forward-looking information is subject to business and economic risks and uncertainties and other factors that could cause actual results of operations to differ materially from those expressed or implied in the forward-looking information. Such risks include, without limitation: the ability of IMC and Trichome to receive, in a timely manner, the necessary regulatory, court, securityholder, stock exchange and other third-party approvals to consummate the Trichome Transaction; the ability of IMC and Trichome to satisfy, in a timely manner, the other conditions to the closing of the Trichome Transaction; the ability to complete the Trichome Transaction on the terms contemplated by the definitive agreement and other agreements, including the support agreements or at all; the ability of the combined company to realize the anticipated benefits of the Trichome Transaction and the timing thereof; the consequences of not completing the Trichome Transaction, including the volatility of the share prices of IMC and Trichome, negative reactions from the investment community and the required payment of certain costs related to the Trichome Transaction; actions taken by government entities or others seeking to prevent or alter the terms of the Trichome Transaction; potential undisclosed liabilities unidentified during the due diligence process; the interpretation of the Trichome Transaction by tax authorities; the focus of management's time and attention on the Trichome Transaction and other disruptions arising from the Trichome Transaction; a resurgence in cases of COVID-19, which has occurred in certain locations and the possibility of which in other locations remains high and creates ongoing uncertainty that could result in restrictions to contain the virus being re-imposed or imposed on a more strict basis, including restrictions on movement and businesses; the extent to which COVID-19 impacts the global economy; the success of new COVID-19 workplace policies and the ability of people to return to workplaces; the Israeli government deciding to delay or abandon the decriminalization and/or legalization of adult-use recreational cannabis; any bill relating to the decriminalization and/or legalization of adult-use recreational cannabis in Israel being rejected by Israeli parliament; any change in the political environment which would negatively affect the decriminalization and/or legalization of adult-use recreational cannabis in Israel; engaging in activities considered illegal under US federal law; the ability of the Company to comply with applicable government regulations in a highly regulated industry; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel, Germany or any other foreign jurisdictions in which the Company intends to operate; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of adult-use recreational cannabis in Canada; unexpected failure of the Company to attain the necessary court and regulatory approvals required for the successful completion of the Trichome Transaction; any failure of the Company to maintain "de facto" control over Focus Medical in accordance with IFRS 10; the Company and Focus Medical having to rely on third party cannabis producers to supply the Company and Focus Medical with product to successfully fulfill previously announced sales agreements and purchase commitments; the ability of Focus Medical to deliver on its sales commitments; the risk that regulatory authorities in Israel may view the Company as the deemed owner of more than 5% of Focus Medical in contravention to Israeli rules restricting the ownership of Israeli cannabis cultivators and thereby jeopardizing Focus Medical's cannabis cultivation license; unexpected disruptions to the operations and businesses of the Company and/or Focus Medical as a result of the COVID-19 global pandemic or other disease outbreaks including in the event that Focus Medical were to lose its designation as an essential service in the State of Israel during the current COVID-19 outbreak; any unexpected failure of Focus Medical to renew its propagation or cultivation licenses with the Israeli Ministry of Health; any unexpected failure of Adjupharm to renew its production, wholesale, narcotics handling or import licences, permits, certificates or approvals; the Company's reliance on management; inconsistent public opinion and perception regarding the use of cannabis; perceived effects of medical cannabis products; political instability and conflict in the Middle East; adverse market conditions; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; costs of inputs; crop failures; litigation; currency fluctuations; competition; industry consolidation; delays in the NASDAQ or SEC review of the Company's listing application or registration of securities with the SEC, including but not limited to delays relating to COVID-19, the Company's NASDAQ listing application being unsuccessful, and loss of key management and/or employees.

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Readers are cautioned that the foregoing lists of assumptions and risk factors are not exhaustive. Readers should also carefully consider the risk factors discussed in each of IMC's and Trichome's management's discussion and analysis for the year ended December 31, 2019 and management's discussion and analysis for the three months and nine months ended September 30, 2020.

This press release also contains future oriented financial outlook and financial information (collectively, "**FOFI**") within the meaning of applicable Canadian securities laws. The FOFI included herein has been approved by management of IMC as of the date hereof to demonstrate IMC's current expectations regarding the effects of the Trichome Transaction on the future financial results of the combined company. IMC believes that the FOFI has been prepared on a reasonable basis, reflecting best estimates and judgments, and based on a number of assumptions that IMC's management believes are reasonable under the current circumstances. However, because this information is highly subjective and subject to numerous risks, including the risks discussed above, it should not be relied on as necessarily indicative of future results. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the FOFI prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Although management of IMC has attempted to identify important risks, uncertainties and factors which could cause actual results to differ materially, there may be others that cause results not to be as anticipated, estimated or intended.

The forward looking information contained in this press release is made as of the date of hereof. Except as required by applicable securities law, IMC and Trichome undertake no obligation to update publicly or otherwise revise any forward-looking information or the foregoing lists of factors affecting those statements, whether as a result of new information, future events or changed circumstances.

#### ***Non-IFRS Measures***

This press release includes references to "adjusted EBITDA", which is a non-International Financial Reporting Standards ("**IFRS**") financial measure. Non-IFRS measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. IMC defines "EBITDA" as earnings before interest, tax, depreciation and amortization. IMC defines "adjusted EBITDA" as EBITDA adjusted by removing other non-recurring or noncash 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, depreciation of right-of-use assets, revaluation adjustments of financial assets and liabilities measured on a fair value basis and non-recurring transaction costs included in operating expenses. EBITDA and adjusted EBITDA have no direct comparable IFRS financial measures. IMC has used or included these non-IFRS measures solely to provide investors with added insight into IMC's financial performance. Readers are cautioned that such non-IFRS measure may not be appropriate for any other purpose. Non-IFRS measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

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**For more information:**

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AMENDING AGREEMENT

THIS AMENDING AGREEMENT (the "Amending Agreement") is made as of January 22, 2021.

BETWEEN:

IM CANNABIS CORP., a company existing under the laws of the Province of British Columbia

(the "Purchaser")

- and -

TRICHOME FINANCIAL CORP., a corporation existing under the laws of the Province of Ontario

(the "Company")

WHEREAS the Purchaser and the Company entered into an arrangement agreement (the "Arrangement Agreement") dated as of December 30, 2020 which contemplates an arrangement of the Company under Section 182 of the *Business Corporations Act* (Ontario), pursuant to which the Company shall be acquired by the Purchaser;

AND WHEREAS the Plan of Arrangement is set forth as Schedule A to the Arrangement Agreement;

AND WHEREAS Section 8.1 of the Arrangement Agreement and Section 5.1 of the Plan of Arrangement allow the Parties to, *inter alia*, amend the Plan of Arrangement, at any time and from time to time, in accordance with the terms and conditions set forth therein;

AND WHEREAS the Company converted all of the outstanding Convertible Debentures in accordance with their terms resulting in the issuance of 4,769,238 Company Shares and the Parties wish to amend the Arrangement Agreement and Plan of Arrangement accordingly, as well as make certain other changes, all as set forth below.

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the foregoing and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. All capitalized terms used but not otherwise defined in this Amending Agreement shall have the respective meanings ascribed to them in the Arrangement Agreement.
2. The Plan of Arrangement as set forth as Schedule A to the Arrangement Agreement is hereby deleted and replaced in its entirety with the amended and restated Plan of Arrangement attached hereto as Schedule A.

3. Section 2.2(1)(c)(ii) of the Arrangement Agreement is hereby deleted in its entirety and Section 2.2(1)(c)(iii) shall thereupon become Section 2.2(1)(c)(ii) and Section 2.2(1)(c)(iv) shall thereupon become Section 2.2(1)(c)(iii).
4. The number "4,769,230" in Section 6(b)(viii) of Schedule C to the Arrangement Agreement is deleted and replaced with the number "4,769,238".
5. The following phrase commencing on the second line of paragraph 5 of Schedule B of the Arrangement Agreement: "and the holders of the Company's outstanding 9.00% convertible debentures (the "**Company Debentures**")" and the following phrase commencing on the fifth line of paragraph 5 of Schedule "B" of the Arrangement Agreement: "or the holders of the Company Debentures", are each hereby deleted in their entirety.
6. Section 6.2(6) of the Arrangement Agreement is hereby deleted in its entirety and replaced with the following:

**"No Change of Control Payments.** No change of control or similar payments shall become owing by the Company or the Purchaser as a result of the completion of the Arrangement."
7. Except for the foregoing amendments, the Parties acknowledge and confirm that the Arrangement Agreement shall remain in full force and effect, unamended, and, upon the execution of this Amending Agreement, the Arrangement Agreement and this Amending Agreement shall be deemed to constitute the entire Arrangement Agreement.
8. This Amending Agreement shall be binding upon and enure to the benefit of the Parties and their respective legal representatives, successors and permitted assigns. This Amending Agreement shall be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.
9. This Amending Agreement may be executed in any number of counterparts (including counterparts by facsimile or any other form of electronic communication) and all such counterparts taken together shall be deemed to constitute one and the same instrument. The Parties shall be entitled to rely upon delivery of an executed facsimile or similar executed electronic copy of this Amending Agreement, and such facsimile or similar executed electronic copy shall be legally effective to create a valid and binding agreement between the Parties.

**[The remainder of this page has been intentionally left blank]**

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IN WITNESS WHEREOF the Parties have executed this Amending Agreement as of the date first above written.

**IM CANNABIS CORP.**

By: "Oren Shuster"

Name: Oren Shuster

Title: Chief Executive Officer

**TRICHOME FINANCIAL CORP.**

By: "Tim Diamond"

Name: Tim Diamond

Title: Director

*Amending Agreement*

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**Schedule A**  
**PLAN OF ARRANGEMENT**  
**(see attached)**

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**SCHEDULE "A"**  
**PLAN OF ARRANGEMENT**

**PLAN OF ARRANGEMENT UNDER SECTION 182**  
**OF THE *BUSINESS CORPORATIONS ACT* (ONTARIO)**

**ARTICLE 1**  
**INTERPRETATION**

**1.1 Definitions**

Unless indicated otherwise, where used in this Plan of Arrangement, capitalized terms used but not defined shall have the meanings ascribed thereto in the Arrangement Agreement and the following terms shall have the following meanings (and grammatical variations of such terms shall have corresponding meanings):

**"Arrangement"** means an arrangement under Section 182(1) of the OBCA on the terms and subject to the conditions set out in this Plan of Arrangement, subject to any amendments or variations to this Plan of Arrangement made in accordance with the terms of the Arrangement Agreement or the provisions of this Plan of Arrangement or made at the direction of the Court in the Final Order with the prior written consent of the Company and the Purchaser, each acting reasonably.

**"Arrangement Agreement"** means the arrangement agreement dated as of December 30, 2020 between the Purchaser and the Company, as amended January 22, 2021, and as the same may be further amended, supplemented or otherwise modified from time to time in accordance with the terms thereof prior to the Effective Time, providing for, among other things, the Arrangement.

**"Arrangement Resolution"** means the special resolution of the Company Shareholders approving this Plan of Arrangement to be considered at the Company Meeting.

**"Articles of Arrangement"** means the articles of arrangement of the Company in respect of the Arrangement, required by the OBCA to be sent to the Director after the Final Order is made, which shall include this Plan of Arrangement and otherwise be in a form and content satisfactory to the Company and the Purchaser, each acting reasonably.

**"Award Agreement"** means any agreement between the Company and a participant in, or pursuant to, the Company PRSU, the Company Legacy Equity Incentive Plan and the Company Option Plan, in each case setting out the participant's entitlement to receive Company Legacy RSUs, Company Legacy PSUs, Company Legacy Options, Company PSUs, Company RSUs or Company Options, as the case may be, and the Company Shares issuable pursuant thereto upon settlement or exercise, as applicable.

**"Business Day"** means any day of the year, other than a Saturday, Sunday or any day on which major banks are closed for business in Toronto, Ontario.

**"Certificate of Arrangement"** means the certificate of arrangement issued by the Director pursuant to subsection 183(2) of the OBCA in respect of the Articles of Arrangement.

**"Company"** means Trichome Financial Corp., a corporation existing under the Laws of the Province of Ontario.

**"Company Circular"** means the notice of the Company Meeting and accompanying management information circular, including all schedules, appendices and exhibits to, and information incorporated by reference in, such management information circular, to be sent to the Company Shareholders in connection with the Company Meeting, as amended, supplemented or otherwise modified from time to time in accordance with the terms of the Arrangement Agreement.

**"Company In-The-Money Option"** means a Company Option having an In-The-Money Amount.

**"Company Legacy Equity Incentive Plan"** means the equity incentive plan of Trichome Financial Corp. (predecessor to the Company).

**"Company Meeting"** means the special meeting of Company Shareholders, including any adjournment or postponement of such special meeting in accordance with the terms of the Arrangement Agreement, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution and for any other purpose as may be set out in the Company Circular and agreed to in writing by the Purchaser.

**"Company Options"** means the outstanding options to acquire Company Shares granted pursuant to either of the Company Legacy Equity Incentive Plan or the Company Option Plan.

**"Company Option Plan"** means the share option plan approved by the Company Shareholders on July 8, 2019.

**"Company Option Balance Shares"** means in respect of an In-The-Money-Option, the number of Company Shares having a fair market value equal to the applicable source deductions in respect of such In-The-Money-Option.

**"Company Option Shares"** means the Company Shares to be issued to holders of Company In-The-Money Options pursuant to Section 2.3(e) of the Plan of Arrangement, which is equal to the In-The-Money Amount of such Company In-The-Money Options held by each Company Optionholder net of applicable source deductions, which shall be the amount obtained by dividing the applicable source deduction in respect of each Company In-The-Money Option held by such Company Optionholder by the Fair Market Value and rounding up to the nearest whole Company Share.

**"Company Optionholder"** means a holder of one or more Company Options.

**"Company Out-Of-The-Money Option"** means a Company Option that is not a Company In-The-Money Option.

**"Company PRSU Plan"** means the performance share unit and restricted share unit equity incentive plan of the Company approved by Company Shareholders on July 8, 2019.

**"Company PSU Balance Shares"** means the number of Company Shares resulting from the Company PSU Consideration less the Company PSU Net Payment.

**"Company PSU Consideration"** means, with respect to Company PSUs, one Company Share for each Company PSU.

**"Company PSU Net Payment"** means one Company Share for each Company PSU, net of applicable source deductions, which shall be the amount obtained by dividing the applicable source deduction in respect of a Company PSU Holder of each Company PSU by the Fair Market Value and rounding up to the nearest whole Company Share.

**"Company PSU Holders"** means the holders of Company PSUs.

**"Company PSUs"** means the outstanding performance share units of the Company issued pursuant to: (i) the Company Legacy Equity Incentive Plan; and (ii) the Company PRSU Plan.

**"Company RSU Balance Shares"** means the number of Company Shares resulting from the Company RSU Consideration less the Company RSU Net Payment.

**"Company RSU Consideration"** means, with respect to Company RSUs, one Company Share for each Company RSU.

**"Company RSU Net Payment"** means one Company Share for each Company RSU, net of applicable source deductions, which shall be the amount obtained by dividing the applicable source deduction in respect of a Company RSU Holder of each Company RSU by the Fair Market Value and rounding up to the nearest whole Company Share.

**"Company RSU Holders"** means the holders of Company RSUs.

**"Company RSUs"** means the outstanding restricted share units of the Company issued pursuant to: (i) the Company Legacy Equity Incentive Plan; and (ii) the Company PRSU Plan.

**"Company Shareholders"** means the registered or beneficial holders of Company Shares, as the context requires, except that with respect to Dissent Rights, Company Shareholders refers only to registered holders of Company Shares.

**"Company Shares"** means the common shares in the capital of the Company.

**"Consideration"** means the consideration to be received by Company Shareholders (other than Dissenting Holders) pursuant to this Plan of Arrangement, as consideration for their Company Shares and determined based on the Exchange Ratio.

**"Court"** means the Ontario Superior Court of Justice (Commercial List).

**"Depository"** means any depository or trust company, bank or financial institution as the Purchaser may appoint to act as depository with the approval of the Company, acting reasonably, for the purpose of, among other things, exchanging certificates representing Company Shares for Purchaser Shares in connection with the Arrangement.

**"Director"** means the Director appointed pursuant to Section 278 of the OBCA.

**"Dissent Rights"** has the meaning specified in Section 3.1.

**"Dissenting Holder"** means a registered Company Shareholder who has validly exercised Dissent Rights in accordance with Section 3.1 and has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights and who is ultimately entitled to be paid the fair value of the Company Shares held by such registered Company Shareholder.

**"Effective Date"** means the date shown on the Certificate of Arrangement, giving effect to the Arrangement.

**"Effective Time"** means 12:01 a.m. on the Effective Date, or such other time as the Parties agree to in writing before the Effective Date.

**"Exchange Ratio"** means 0.981 of a Purchaser Share to be issued by the Purchaser for each one Company Share exchanged pursuant to the Arrangement, subject to adjustment in the manner and in the circumstances contemplated in Section 2.5 of this Plan of Arrangement.

**"Fair Market Value"** means the fair market value of the Company Shares on the Effective Date.

**"Final Order"** means the final order of the Court in a form acceptable to the Company and the Purchaser, each acting reasonably, approving the Arrangement, as such order may be amended by the Court (with the consent of both the Company and the Purchaser, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both the Company and the Purchaser, each acting reasonably) on appeal.

**"Governmental Entity"** means (i) any international, multinational, national, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, commissioner, board, bureau, ministry, agency or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the above, (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing or (iv) any stock exchange.

**"In-The-Money Amount"** means, in respect of a Company Option, the amount, if any, by which the Fair Market Value of the Company Shares that a holder is entitled to acquire on exercise of the Company Option immediately prior to the Effective Time exceeds the exercise price of such Company Option.

**"Interim Order"** means the interim order of the Court in a form acceptable to the Company and the Purchaser, each acting reasonably, providing for, among other things, the calling and holding of the Company Meeting, as such order may be amended by the Court with the consent of the Company and the Purchaser, each acting reasonably.

**"Law"** means, with respect to any Person, any and all applicable law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, notice, judgment, decree, ruling or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, as amended.

**"Letter of Transmittal"** means the letter of transmittal to be delivered by the Company to the Company Shareholders for use in connection with the Arrangement.

**"Lien"** means any mortgage, charge, pledge, hypothec, security interest, prior claim, encroachments, option, right of first refusal or first offer, occupancy right, covenant, assignment, lien (statutory or otherwise), defect of title, or restriction or adverse right or claim, or other third party interest or encumbrance of any kind, in each case, whether contingent or absolute.

**"OBCA"** means the *Business Corporations Act* (Ontario).

**"Parties"** means the Company and the Purchaser, and **"Party"** means either of them.

**"Person"** includes any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative, government (including Governmental Entity), syndicate or other entity, whether or not having legal status.

**"Plan of Arrangement"** means this plan of arrangement proposed under Section 182 of the OBCA, and any amendments or variations made in accordance with Section 8.1 of the Arrangement Agreement or Section 2.5 of this plan of arrangement or made at the direction of the Court in the Final Order with the consent of the Company and the Purchaser, each acting reasonably.

**"Purchaser"** means IM Cannabis Corp., a company existing under the Laws of the Province of British Columbia.

"**Purchaser Shares**" means the common shares in the authorized share structure of the Purchaser.

"**Section 3(a)(10) Exemption**" means the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof.

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations promulgated thereunder, each as amended.

"**TJAC**" means Trichome JWC Acquisition Corp., a corporation existing under the Laws of the Province of Ontario and a wholly-owned Subsidiary of the Company.

"**TJAC Options**" means options to purchase common shares of TJAC under the TJAC Option Plan.

"**TJAC Option Balance Shares**" means in respect of a TJAC Option, the number of Company Shares resulting from the TJAC Option Consideration less the TJAC Net Option Payment.

"**TJAC Option Consideration**" means for each TJAC Option 1.283659659 Company Shares.

"**TJAC Optionholders**" means the holders of options to purchase common shares of TJAC under the TJAC Option Plan.

"**TJAC Net Option Payment**" means 1.283659659 Company Shares for each TJAC Option, net of applicable source deductions, which shall be the amount obtained by dividing the applicable source deduction in respect of a TJAC Optionholder of each TJAC Option by the Fair Market Value and rounding up to the nearest whole Company Share.

"**TJAC Option Plan**" means the equity incentive plan of TJAC implemented on August 28, 2020.

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

## **1.2 Interpretation Not Affected by Headings**

The headings contained in this Plan of Arrangement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Plan of Arrangement. The terms "this Plan of Arrangement", "hereof", "herein", "hereto", "hereunder" and similar expressions refer to this Plan of Arrangement and not to any particular Article, Section or Subsection hereof and include any agreement or instrument supplementary or ancillary hereto.

## **1.3 Date for any Action**

If the date on which any action is required to be taken hereunder is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

## **1.4 Number and Gender**

In this Plan of Arrangement, unless the context otherwise requires, words importing the singular include the plural and vice versa, and words importing gender include all genders and neuter.

## **1.5 References to Persons and Statutes**

A reference to a Person includes any successor to that Person. Any reference to a statute or to a rule of a self-regulatory organization, including any stock exchange, refers to such statute or rule, and all rules and regulations, administrative policy statements, instruments, blanket orders, notices, directions and rulings issued or adopted under it, as it or they may have been or may from time to time be amended or re-enacted, unless stated otherwise.

## **1.6 Currency**

Unless otherwise stated in this Plan of Arrangement, all references herein to amounts of money are expressed in lawful money of Canada.

## **1.7 Computation of Time**

A period of time is to be computed as beginning on the day following the event that began the period and ending at 4:30 p.m. on the last day of the period, if the last day of the period is a Business Day, or at 4:30 p.m. on the next Business Day if the last day of the period is not a Business Day. If the date on which any action is required or permitted to be taken under this Plan of Arrangement by a Person is not a Business Day, such action shall be required or permitted to be taken on the next succeeding day that is a Business Day.

## **1.8 Time References**

Time shall be of the essence in every matter or action contemplated hereunder. References to time are to Toronto time.

## **1.9 Certain Phrases, etc.**

Wherever the word "including," "includes" or "include" is used in this Plan of Arrangement, it shall be deemed to be followed by the words "without limitation. The word "or" shall be disjunctive but not exclusive. The phrase "the aggregate of," "the total of," "the sum of" or a phrase of similar meaning means "the aggregate (or total or sum), without duplication of." References herein to a Person in a particular capacity or capacities shall exclude such Person in any other capacity.

# **ARTICLE 2 THE ARRANGEMENT**

## **2.1 Arrangement Agreement**

This Plan of Arrangement is made pursuant to and subject to the provisions of the Arrangement Agreement.

## **2.2 Binding Effect**

This Plan of Arrangement and the Arrangement will become effective at, and be binding at and after, the Effective Time on: (i) the Company; (ii) the Purchaser; (iii) the Depositary; (iv) the registrar and transfer agent of the Company; (v) Company Optionholders; (vi) Company RSU Holders; (vii) Company PSU Holders; (viii) the TJAC Optionholders; and (ix) all registered and beneficial Company Shareholders (including Dissenting Shareholders), in each case, without any further act or formality required on the part of any Person.

## **2.3 Arrangement**

Commencing at the Effective Time, the following shall occur and shall be deemed to occur in the order set out below without any further authorizations, act or formality, in each case effective as at two minute intervals starting at the Effective Time:

- (a) each of the Company Shares held by a Dissenting Holder in respect of which Dissent Rights have been validly exercised shall be deemed to have transferred, without further act or formality by or on behalf of any Dissenting Holder, to the Purchaser in consideration for a debt claim against the Purchaser for the amount determined under Article 3, and:

- (i) such Dissenting Holder shall cease to be the holder of such Company Shares and to have any rights as a Company Shareholder other than the right to be paid fair value for such Company Shares, as set out in Section 3.1;
  - (ii) such Dissenting Holder's name shall be removed as the holder of Company Shares from the applicable register of Company Shareholders maintained by or on behalf of the Company; and
  - (iii) the Purchaser shall be deemed to be the transferee of such Company Shares, free and clear of all Liens (other than the right to be paid fair value for such Company Shares as set out in Section 3.1), and shall be entered into the applicable register of Company Shareholders maintained by or on behalf of the Company; and
- (b) notwithstanding any vesting provisions to which a Company RSU might otherwise be subject (whether by contract, the terms and conditions of any Award Agreement or grant, the terms and conditions of the Company Legacy Equity Incentive Plan or Company PRSU Plan or applicable Law), each Company RSU issued and outstanding immediately prior to the Effective Time shall, without any further act or formality by or on behalf of any Company RSU Holder, be deemed to be fully vested and shall be surrendered by the holder thereof to the Company (free and clear of all Liens) and cancelled in exchange for the applicable Company RSU Consideration; and
  - (i) the relevant holder of such Company RSU will be issued Company Shares equal to the Company RSU Net Payment, having a fair market value equal to the Company RSU Consideration, net of applicable source deductions, and the Company RSU Net Payment issuable in connection therewith will be deemed to be issued to such holder of such Company RSUs as fully-paid and non-assessable Company Shares;
  - (ii) the Company RSU Balance Shares will be issued in trust for the relevant holder of such Company RSU to a securities dealer designated by the Purchaser, who is authorized on behalf of the relevant holder of such Company RSU, to sell in the capital markets or otherwise the Purchaser Shares received in exchange for such Company RSU Balance Shares pursuant to Section 2.3(h) to realize cash proceeds to satisfy the applicable source deductions in respect of the surrender of such Company RSUs, and the Company RSU Balance Shares issuable in connection therewith will be deemed to be issued to such holder of such Company RSUs as fully-paid and non-assessable Company Shares;
  - (iii) each holder of such Company RSU shall cease to be the holder thereof and to have any rights as a Company RSU Holder;
  - (iv) the name of each such holder shall be removed from the register of the Company RSU Holders maintained by or on behalf of the Company;

- (v) each such former holder of such Company RSU shall be deemed to be the holder of the Company Shares comprising the Company RSU Consideration and shall be entered in the register of the Company Shareholders maintained by or on behalf of the Company and such Company Shares shall be issued to such former holder of such Company RSUs as fully paid and non-assessable Company Shares, provided that no share certificates shall be issued with respect to such Company Shares; and
  - (vi) all Award Agreements in respect of Company RSUs, grants and similar instruments relating thereto shall be cancelled;
- (c) notwithstanding any vesting provisions to which a Company PSU might otherwise be subject (whether by contract, the terms and conditions of any Award Agreement or grant, the terms and conditions of the Company Legacy Equity Incentive Plan or Company PRSU Plan or applicable Law), each Company PSU issued and outstanding immediately prior to the Effective Time shall, without any further act or formality by or on behalf of any Company PSU Holder, be deemed to be fully vested and shall be surrendered by the holder thereof to the Company (free and clear of all Liens) and cancelled in exchange for the applicable Company PSU Consideration; and
  - (i) the relevant holder of such Company PSU will be issued Company Shares equal to the Company PSU Net Payment, having a fair market value equal to the Company PSU Consideration, net of applicable source deductions, and the Company PSU Net Payment issuable in connection therewith will be deemed to be issued to such holder of such Company PSUs as fully-paid and non-assessable Company Shares;
  - (ii) the Company PSU Balance Shares will be issued in trust for the relevant holder of such Company PSU to a securities dealer designated by the Purchaser, who is authorized on behalf of the relevant holder of such Company PSU, to sell in the capital markets or otherwise the Purchaser Shares received in exchange for such Company PSU Balance Shares pursuant to Section 2.3(h) to realize cash proceeds to satisfy the applicable source deductions in respect of the surrender of such Company PSUs, and the Company PSU Balance Shares issuable in connection therewith will be deemed to be issued to such holder of such Company RSUs as fully-paid and non-assessable Company Shares;
  - (iii) each holder of such Company PSU shall cease to be the holder thereof and to have any rights as a Company PSU Holder;
  - (iv) the name of each such holder shall be removed from the register of the Company PSU Holders maintained by or on behalf of the Company;
  - (v) each such former holder of such Company PSU shall be deemed to be the holder of the Company Shares comprising the Company PSU Consideration and shall be entered in the register of the Company Shareholders maintained by or on behalf of the Company, and such Company Shares shall be issued to such former holder of such Company PSUs as fully paid and non-assessable Company Shares, provided that no share certificates shall be issued with respect to such Company Shares;



- (vi) all Award Agreements in respect of Company PSUs, grants and similar instruments relating thereto shall be cancelled; and
  - (vii) the Company PRSU Plan shall be terminated, and none of the Company nor the Purchaser shall have any further liabilities or obligations thereunder;
- (d) each Company Out-Of-The-Money Option will be cancelled without any payment in respect thereof and the holder thereof will cease to be the holder of such Company Option, will cease to have any rights as a holder in respect of such Company Option, will be removed from the register of the Company Options, and all option agreements, grants and similar instruments relating thereto will be cancelled, and none of the Company nor the Purchaser shall have any further liabilities or obligations with respect thereto;
- (e) each Company In-The-Money Option will be surrendered and cancelled in exchange for:
  - (i) the relevant In-The-Money Amount and the relevant Company Optionholder will be issued the Company Option Shares, having a fair market value equal to the relevant aggregate In-The-Money Amount, net of applicable source deductions, and the Company Option Shares will be deemed to be issued to such Company Optionholder as fully paid and non-assessable Company Shares, provided that no share certificates shall be issued with respect to such Company Shares;
  - (ii) the Company Option Balance Shares will be issued in trust for the relevant Company Optionholder to a securities dealer designated by the Purchaser is issued in trust the Company Option Balance Shares, who will be authorized on behalf of the relevant holder of such Company Optionholder, to sell in the capital markets or otherwise the Purchaser Shares received in exchange for such Company Option Balance Shares pursuant to Section 2.3(h) to realize cash proceeds to satisfy the applicable source deductions in respect of the surrender of such Company Options and the Company Option Balance Shares will be deemed to be issued to such Company Optionholder as fully paid and non-assessable Company Shares; and
  - (iii) the holder of such Company Option will cease to be the holder of such Company Option, will cease to have any rights as a holder in respect of such Company Option, will be removed from the applicable register of the Company Options, and all Award Agreements relating thereto will be cancelled, and neither the Company nor the Purchaser shall have any further liabilities or obligations with respect thereto
- (f) the Company Option Plan and the Company Legacy Equity Incentive Plan shall each be terminated, and none of the Company nor the Purchaser shall have any further liabilities or obligations thereunder.
- (g) notwithstanding any vesting provisions to which a TJAC Option might otherwise be subject (whether by contract, the terms and conditions of any Award Agreement or grant, the terms and conditions of the TJAC Option Plan or applicable Law), each TJAC Option issued and outstanding immediately prior to the Effective Time shall, without any further act or formality by or on behalf of any TJAC Optionholder, be deemed to be fully vested and shall be surrendered by the holder thereof to TJAC (free and clear of all Liens) and cancelled in exchange for the TJAC Option Consideration; and

- (i) TJAC will issue such number of TJAC common shares to the Company that is equal to the aggregate number of Company Shares required to be delivered by the Company pursuant to Section 2.3(g)(ii) in consideration of the Company issuing the aggregate TJAC Option Consideration in respect of all TJAC Options;
  - (ii) the Company will deliver to the relevant holder of such TJAC Option Company Shares equal to the TJAC Option Net Payment, having a fair market value equal to the TJAC Option Consideration, net of applicable source deductions, and the TJAC Net Option Payment issuable in connection therewith will be deemed to be issued to such holder of such TJAC Options as fully-paid and non-assessable;
  - (iii) the Company will issue in trust for the relevant holder of such TJAC Options to a securities dealer designated by the Purchaser the TJAC Option Balance Shares, who is authorized on behalf of the relevant holder of such TJAC Options, to sell in the capital markets or otherwise the Purchaser Shares received in exchange for such TJAC Option Balance Shares pursuant to Section 2.3(h) to realize cash proceeds to satisfy the applicable source deductions in respect of the surrender of such TJAC Options and the TJAC Option Balance Shares will be deemed to be issued to such TJAC Optionholder as fully paid and non-assessable Company Shares
  - (iv) each holder of such TJAC Option shall cease to be the holder thereof and to have any rights as a TJAC Optionholder;
  - (v) the name of each such holder shall be removed from the register of the TJAC Optionholders maintained by or on behalf of TJAC;
  - (vi) each such former holder of such TJAC Option shall be deemed to be the holder of the Company Shares comprising the TJAC Option Net Payment and shall be entered in the register of the Company Shareholders maintained by or on behalf of the Company, and such Company Shares shall be issued to such former holder of such TJAC Options as fully paid and non-assessable Company Shares, provided that no share certificates shall be issued with respect to such Company Shares;
  - (vii) all Award Agreements in respect of TJAC Options, grants and similar instruments relating thereto shall be cancelled; and
  - (viii) the TJAC Option Plan shall be terminated, and none of the Company, TJAC nor the Purchaser shall have any further liabilities or obligations thereunder;
- (h) each Company Share outstanding immediately prior to the Effective Time (other than Common Shares held by a Dissenting Holder in respect of which Dissent Rights have been validly exercised under Section 2.3(a) shall be deemed to be assigned and transferred by the holder thereof to the Purchaser in exchange for the Consideration; and
- (i) each holder of such Company Shares shall cease to be the holder thereof and to have any rights as a Company Shareholder, other than the right to be paid the Consideration per Company Share in accordance with this Plan of Arrangement;

- (ii) the name of the each such holder of Company Shares shall be removed from the register of the Company Shareholders maintained by or on behalf of the Company; and
- (iii) the Purchaser shall be deemed to be the transferee of such Company Shares, free and clear of all Liens, and shall be entered in the register of the Company Shareholders maintained by or on behalf of the Company.

## **2.4 No Fractional Purchaser Shares**

In no event shall any fractional Purchaser Shares be issued under this Plan of Arrangement. Where the aggregate number of Purchaser Shares to be issued to any Person as consideration under this Plan of Arrangement would result in a fraction of a Purchaser Share being issuable, then the number of Purchaser Shares to be issued to such Person shall, without additional compensation, be rounded down to the nearest whole Purchaser Share.

## **2.5 Adjustments**

The Consideration and the Exchange Ratio shall be adjusted to reflect fully the effect of any stock split, reverse split, stock dividend (including any dividend or distribution of securities convertible into Purchaser Shares or Company Shares, other than stock dividends paid in lieu of ordinary course dividends), consolidation, reorganization, recapitalization or other like change with respect to Purchaser Shares or the Company Shares occurring after the date of the Arrangement Agreement and prior to the Effective Time.

## **2.6 U.S. Securities Laws**

Notwithstanding any provision herein to the contrary, the Purchaser and the Company agree that the Plan of Arrangement will be carried out with the intention that all Purchaser Shares to be issued as Consideration in connection with the Arrangement shall be exempt from registration requirements of the U.S. *Securities Act of 1933*, as amended, as provided by Section 3(a)(10) thereof, and all such Purchaser Shares to be distributed in the United States pursuant to the Arrangement shall not be subject to resale restrictions in the United States under the U.S. Securities Act (other than in the case of such Purchaser Shares issued to any Company Shareholder that is an "affiliate" (within the meaning of applicable rules under the U.S. Securities Act) of the Purchaser, or was such an "affiliate" within 90 days of the Effective Time.

# **ARTICLE 3 RIGHTS OF DISSENT**

## **3.1 Dissent Rights**

Each registered holder of Company Shares may exercise dissent rights with respect to any Company Shares held by such holder (the "**Dissent Rights**") in connection with the Arrangement pursuant to and in the manner set forth in Section 185 of the OBCA, as modified by the Interim Order and this Section 3.1, provided that, notwithstanding subsection 185(6) of the OBCA, the written objection to the Arrangement Resolution referred to in subsection 185(6) of the OBCA must be received by the Company not later than 5:00 p.m. two Business Days immediately preceding the date of the Company Meeting (as it may be adjourned or postponed from time to time). Each Dissenting Holder that duly exercises such holder's Dissent Rights shall be deemed to have transferred the Company Shares held by such holder and in respect of which Dissent Rights have been validly exercised to the Purchaser free and clear of all Liens (other than the right to be paid fair value for such Company Shares, as set out in this Section 3.1), as provided in Section 2.3(a) and if they:

- (a) ultimately are entitled to be paid fair value for such Company Shares: (i) shall be deemed not to have participated in the transactions in Article 2 (other than Section 2.3(a)); (ii) will be entitled to be paid the fair value of such Company Shares by the Purchaser, which fair value, notwithstanding anything to the contrary contained in Part XIV of the OBCA, shall be determined as of the close of business on the Business Day before the Arrangement Resolution was adopted; and (iii) will not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement had such holder not exercised their Dissent Rights in respect of such Company Shares; or

- (b) ultimately are not entitled, for any reason, to be paid fair value for such Company Shares, shall be deemed to have participated in the Arrangement on the same basis as a Company Shareholder that is not a Dissenting Holder and shall be entitled to receive only the Consideration contemplated by Section 2.3(h) hereof that such Dissenting Holder would have received pursuant to the Arrangement if such Dissenting Holder had not exercised its Dissent Rights.

### **3.2 Recognition of Dissenting Holders**

- (a) In no circumstances shall the Purchaser, the Company or any other Person be required to recognize a Person exercising Dissent Rights unless such Person is the registered holder of those Company Shares in respect of which such rights are sought to be exercised.
- (b) For greater certainty, in no case shall the Purchaser, the Company or any other Person be required to recognize Dissenting Holders as holders of Company Shares in respect of which Dissent Rights have been validly exercised after the completion of the transfer under Section 2.3(a), and the names of such Dissenting Holders shall be removed from the applicable registers of holders of Company Shares in respect of which Dissent Rights have been validly exercised at the same time as the event described in Section 2.3(a) occurs.
- (c) In addition to any other restrictions under Section 185 of the OBCA, none of the following shall be entitled to exercise Dissent Rights: (i) Company Optionholders; (ii) Company RSU Holders; (iii) Company PSU Holders; and (iv) holders of Company Shares who vote or have instructed a proxyholder to vote such Company Shares in favour of the Arrangement Resolution (but only in respect of such Company Shares).

## **ARTICLE 4 CERTIFICATES AND PAYMENTS**

### **4.1 Payment and Delivery of Consideration**

- (a) Prior to the sending by the Company of the Articles of Arrangement to the Director, the Purchaser shall deliver, or cause to be delivered, the Purchaser Shares to the Depositary to satisfy the Consideration issuable to the Company Shareholders pursuant to this Plan of Arrangement (other than Company Shareholders who have validly exercised Dissent Rights and who have not withdrawn their notice of objection).
- (b) Upon surrender to the Depositary for cancellation of a certificate which immediately prior to the Effective Time represented outstanding Company Shares that were transferred pursuant to Section 2.3(h), together with a duly completed and executed Letter of Transmittal, and such additional documents and instruments as the Depositary may reasonably require, the applicable Company Shareholder(s) shall be entitled to receive, in exchange therefor, and the Depositary shall deliver to such Person(s): a certificate(s) representing the number of Purchaser Shares to which such holder is entitled to receive under the Arrangement, which Purchaser Shares will be registered in such name or names and either (A) delivered to the address or addresses as such Company Shareholder directed in their Letter of Transmittal; or (B) made available for pick-up at the offices of the Depositary in accordance with the instructions of the Company Shareholder in the Letter of Transmittal, and any certificate representing Company Shares or any evidence of entitlement to TJAC Options so surrendered shall forthwith thereafter be cancelled.

- (c) Until surrendered as contemplated by this Section 4.1, each certificate that, immediately prior to the Effective Time, represented Company Shares (other than Company Shares in respect of which Dissent Rights have been validly exercised and not withdrawn), and each evidence of entitlement to TJAC Options, shall be deemed, after the Effective Time, to represent only the right to receive, upon such surrender, the Consideration in lieu of such certificate as contemplated in this Section 4.1, less any amounts withheld pursuant to Section 4.3. Any such certificate formerly representing Company Shares or any such evidence of entitlement of TJAC Options, not duly surrendered on or before the sixth (6<sup>th</sup>) anniversary of the Effective Date shall cease to represent a claim by or interest of any former Company Shareholder or TJAC Optionholder of any kind or nature against or in the Company, TJAC or the Purchaser. On such date, all Consideration to which such former holder was entitled shall be deemed to have been surrendered to the Purchaser and shall be delivered by the Depositary to the Purchaser or as directed by the Purchaser.
- (d) Any payment made by way of cheque by the Depositary pursuant to this Plan of Arrangement that has not been deposited or has been returned to the Depositary or that otherwise remains unclaimed, in each case, on or before the sixth (6<sup>th</sup>) anniversary of the Effective Time, and any right or claim to payment hereunder that remains outstanding on the second anniversary of the Effective Time, shall cease to represent a right or claim of any kind or nature and the right of the holder to receive the Consideration pursuant to this Plan of Arrangement shall terminate and be deemed to be surrendered and forfeited to the Purchaser for no consideration.

#### **4.2 Lost Certificates**

In the event any certificate which, immediately prior to the Effective Time, represented one or more outstanding Company Shares that were transferred pursuant to Section 2.3 shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed, the Depositary will issue in exchange for such lost, stolen or destroyed certificate, the Consideration that such Shareholder has the right to receive in accordance with Section 2.3. When authorizing such exchange for any lost, stolen or destroyed certificate, the Person to whom such Consideration is to be delivered shall, if as a condition precedent to the delivery of such Consideration, give a bond satisfactory to the Purchaser and the Depositary (each acting reasonably) in such sum as the Purchaser may direct (acting reasonably), or otherwise indemnify the Purchaser and the Company in a manner satisfactory to the Purchaser (acting reasonably) against any claim that may be made against the Purchaser and the Company with respect to the certificate alleged to have been lost, stolen or destroyed.

#### **4.3 Withholding Rights**

The Purchaser, the Company or the Depositary shall be entitled to deduct and withhold from any amount payable to any Person under the Plan of Arrangement (including, without limitation, any amounts payable pursuant to Section 3.1), such amounts as the Purchaser, the Company or the Depositary, acting reasonably, determines are required or permitted to be deducted and withheld with respect to such payment under the Tax Act, or any provision of any other Law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the Person in respect of which such withholding was made, provided that such amounts are actually remitted to the appropriate taxing authority. Each of the Purchaser, the Company and the Depositary shall be permitted to sell or otherwise dispose of, on behalf of any Person, such portion of the Purchaser Shares or any other consideration deliverable under the Arrangement to such Person as is necessary to provide sufficient funds to enable the Purchaser, the Company or the Depositary to deduct, withhold or remit any amount for purposes of this Section 4.3 and the Purchaser, the Company or the Depositary, as the case may be, shall notify the applicable Person of the details of such disposition, including the gross and net proceeds and any adjustments thereto, and shall remit any unapplied balance of the net proceeds of such sale or other disposition to the Person.

Notwithstanding the foregoing, neither the Purchaser, the Company, TJAC nor the Depositary, as applicable, shall be entitled to deduct or withhold from any consideration payable or otherwise deliverable to any Company PSU Holder, Company RSU Holder, Company Optionholder or TJAC Optionholder (including without limitation, any amounts payable pursuant to Section 3.1) any amounts required or permitted to be deducted and withheld with respect to such payment under the Tax Act, or any provision of any other Law other than as expressly set forth in the Plan of Arrangement (including, for greater certainty, Sections 2.3(b), 2.3(c), 2.3(e) and 2.3(g) hereof.

#### **4.4 No Liens**

Any exchange or transfer of securities pursuant to this Plan of Arrangement shall be free and clear of any Liens or other claims of third parties of any kind.

### **ARTICLE 5 AMENDMENTS**

#### **5.1 Amendments to Plan of Arrangement**

- (a) The Company and the Purchaser may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must: (i) be set out in writing; (ii) be approved by the Purchaser and the Company (subject to the Arrangement Agreement), each acting reasonably; (iii) filed with the Court and, if made following the Company Meeting, approved by the Court; and (iv) communicated to Company Shareholders if and as required by the Court.
- (b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by the Company or the Purchaser at any time prior to the Company Meeting (provided that the Purchaser or the Company (subject to the Arrangement Agreement), as applicable, shall have consented thereto), with or without any other prior notice or communication, and if so proposed and accepted by the Persons voting at the Company Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.
- (c) Any amendment, modification or supplement to this Plan of Arrangement that is approved or directed by the Court following the Company Meeting shall be effective only if: (i) it is consented to in writing by each of the Company and the Purchaser (in each case, acting reasonably); and (ii) if required by the Court, it is consented to by some or all of the Company Shareholders voting in the manner directed by the Court.
- (d) Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Date unilaterally by the Purchaser, provided that it concerns a matter which, in the reasonable opinion of the Purchaser, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the economic interest of any former Company Shareholder.

**ARTICLE 6  
FURTHER ASSURANCES**

**6.1 Further Assurances**

Notwithstanding that the transactions and events set out in this Plan of Arrangement shall occur and shall be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the Parties shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by either of them in order to further document or evidence any of the transactions set out in this Plan of Arrangement.



#### IM Cannabis Receives DTC Eligibility as Part of NASDAQ Capital Market Listing Approval Process

**Toronto, Canada; Glil Yam, Israel - January 26, 2021** - IM Cannabis Corp. (the "**Company**" or "**IMC**") (CSE:IMCC), a multi-country operator ("**MCO**") in the medical cannabis sector with operations in Israel and Germany, is pleased to announce that the Company has received confirmation from The Depository Trust Company ("**DTC**") that its common shares ("**Common Shares**") are now eligible for electronic clearing and settlement through DTC in the United States. DTC eligibility is another milestone towards the listing of the Common Shares on the NASDAQ Capital Market ("**NASDAQ**"). In addition to the receipt of DTC eligibility, the Company received shareholder approval on December 16, 2020 to authorize a share consolidation of its issued and outstanding Common Shares (the "**Share Consolidation**") to meet the NASDAQ's minimum share price requirement. The Share Consolidation will be implemented as and when determined by the Company's board of directors.

DTC is a subsidiary of The Depository Trust & Clearing Corporation, a United States company that manages the electronic clearing and settlement of publicly-traded companies. Securities that are eligible to be electronically cleared and settled through DTC are considered "DTC eligible." This electronic method of clearing securities speeds up the receipt of stock and cash and thus accelerates the settlement process for investors and brokers, enabling the stock to be traded over a much wider selection of brokerage firms.

"With our pending acquisition of Trichome Financial Corp., announced on December 30, 2020, we are rapidly building out a multi-national cannabis operation and there remains a significant opportunity to scale our operations through additional mergers and acquisitions. A successful listing of our common shares on NASDAQ is expected to help optimize our cost of capital and the liquidity of our common shares in pursuit of our international growth ambitions," said Oren Shuster, Chief Executive Officer of IMC.

A successful listing on the NASDAQ is subject to satisfaction of all applicable listing and regulatory requirements, including, but not limited to, registration of the Common Shares with the United States Securities and Exchange Commission (the "**SEC**") and satisfaction of NASDAQ listing requirements. Following receipt of all required requisite approvals, the Company will issue a press release announcing its first trading date on the NASDAQ.

#### About IM Cannabis Corp.

IMC is an MCO in the medical cannabis sector headquartered in Israel and with operations in Israel and Germany. Over the past decade, the Company believes that the IMC brand has become synonymous with quality and consistency in the Israeli medical cannabis market. The Company has also expanded its business to offer intellectual property-related services to the medical cannabis industry.

In Europe, IMC operates through Adjupharm GmbH ("**Adjupharm**"), a German-based subsidiary and EU-GMP certified medical cannabis distributor. IMC's European presence is augmented by strategic alliances with various pan-European EU-GMP cultivators and distributors to capitalize on the increased demand for medical cannabis products in Europe and bring the IMC brand and its product portfolio to European patients.

IMC partners with renowned academic institutions and scientists, as well as allocates resources and investments for the development of innovative technologies in order to improve the lives of medical cannabis users around the world.

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### ***Disclaimer for Forward-Looking Statements***

This press release contains "forward-looking information" within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "likely" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. Forward-looking information in this press release includes, without limitation, statements relating to the benefits of DTC eligibility including liquidity and accessibility, the completion of the Share Consolidation, the listing of the Common Shares on the NASDAQ, including but not limited to the receipt of all approvals in respect of its listing application and the timing for the commencement of trading on the NASDAQ following approval of such listing application, the registration of the Common Shares with the SEC and the timing of the SEC's review, the effects of any successful listing of the Common Shares on the NASDAQ including any benefits to cost of capital or liquidity of the Common Shares, the availability of additional merger and acquisition opportunities, the completion of the acquisition of Trichome Financial Corp. and any associated impact of such acquisition, the Company's actions upon receipt of all required listing and regulatory approvals with respect to its NASDAQ listing application and the Company's business and strategic plans.

Forward-looking information is based on assumptions that may prove to be incorrect, including but not limited to the ability of the Company to execute its business plan, the continued growth of the medical cannabis market in the countries in which the Company operates or intends to operate, the Company maintaining "de facto" control over Focus Medical Herbs Ltd. ("**Focus Medical**") in accordance with IFRS 10, Focus Medical maintaining its existing Israeli medical cannabis propagation or cultivation licenses and the expected decriminalization and/or legalization of adult-use recreational cannabis in Israel. The Company considers these assumptions to be reasonable in the circumstances. However, forward-looking information is subject to business and economic risks and uncertainties and other factors that could cause actual results of operations to differ materially from those expressed or implied in the forward-looking information. Such risks include, without limitation: a resurgence in the cases of COVID-19, which has occurred in certain locations and the possibility of which in other locations remains high and creates ongoing uncertainty that could result in restrictions to contain the virus being re-imposed or imposed on a more strict basis, including restrictions on movement and businesses; the extent to which COVID-19 impacts the global economy; the success of new COVID-19 workplace policies and the ability of people to return to workplaces; the Israeli government deciding to delay or abandon the decriminalization and/or legalization of adult-use recreational cannabis; any bill relating to the decriminalization and/or legalization of adult-use recreational cannabis in Israel being rejected by Israeli parliament; any change in the political environment which would negatively affect the decriminalization and/or legalization of adult-use recreational cannabis in Israel; engaging in activities considered illegal under US federal law; the ability of the Company to comply with applicable government regulations in a highly regulated industry; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel, Germany, or any other foreign jurisdictions in which the Company intends to operate; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of adult-use recreational cannabis in Canada; any failure of the Company to maintain "de facto" control over Focus Medical in accordance with IFRS 10; the Company and Focus Medical having to rely on third party cannabis producers to supply the Adjupharm and Focus Medical with product to successfully fulfill previously announced sales agreements and purchase commitments; the ability of Focus Medical and Adjupharm to deliver on their sales commitments; the risk that regulatory authorities in Israel may view the Company as the deemed owner of more than 5% of Focus Medical in contravention to Israeli rules restricting the ownership of Israeli cannabis cultivators and thereby jeopardizing Focus Medical's cannabis propagation or cultivation licenses; unexpected disruptions to the operations and businesses of the Company and/or Focus Medical as a result of the COVID-19 global pandemic or other disease outbreaks including in the event that Focus Medical were to lose its designation as an essential service in the State of Israel during the current COVID-19 outbreak; any unexpected failure of Focus Medical to renew its propagation or cultivation licenses with the Israeli Ministry of Health; any unexpected failure of Focus Medical to maintain any of its commercial facilities or land lease agreements; any unexpected failure of Adjupharm to renew its production, wholesale, narcotics handling or import/export licenses, permits, certificates or approvals; the Company's reliance on management; the lack of additional merger and acquisition opportunities; inconsistent public opinion and perception regarding the use of cannabis; perceived effects of medical cannabis products; the Company's ability to maintain or improve the brand position of the IMC brand in Israel's medical cannabis market; political instability and conflict in the Middle East; adverse market conditions; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; costs of inputs; crop failures; litigation; currency fluctuations; competition; industry consolidation; failure to meet NASDAQ listing requirements; failure to obtain effectiveness of a registration statement filed with the SEC; delays in the NASDAQ or SEC review of the Company's listing application or registration of securities with the SEC, including but not limited to delays relating to COVID-19; the Company's NASDAQ listing application being unsuccessful; the inability of the Company to complete the acquisition of Trichome Financial Corp. or obtain any requisite approvals in respect of the acquisition in a timely manner or at all; the Company's inability to capture the benefits associated with a successful acquisition of Trichome Financial Corp. and loss of key management and/or employees. The Company does not undertake any obligation to update forward-looking statements except as required by applicable securities laws. Investors should not place undue reliance on forward-looking statements. Readers are cautioned that the foregoing lists of assumptions and risk factors are not exhaustive. Readers should also carefully consider the risk factors discussed in each of IMC's management's discussion and analysis for the year ended December 31, 2019 and management's discussion and analysis for the three months and nine months ended September 30, 2020.

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**IM CANNABIS CORP.**

**ANNUAL INFORMATION FORM**

For the Financial Year Ended December 31, 2019

January 27, 2021

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## ANNUAL INFORMATION FORM

In this annual information form ("**Annual Information Form**" or "**AIF**"), unless otherwise noted or the context indicates otherwise, the "**Company**" "**IMCC**", "**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. 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, 2019 unless otherwise indicated.

### FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Information Form may contain "forward-looking information" 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.

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

- the expected performance of the Group's business and operations;
  - the exportation of the Group's cannabis products from Israel;
  - the Group's expansion and development of its foreign operations and supply arrangements;
  - the Group's intentions regarding leveraging its German operational model 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 competitive conditions of the medical 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 the Group's business intentions in the event such legalization and/or decriminalization occurs;
  - the Company's strategic opportunities involving collaboration with successful applicants of the Dutch Tender (as defined in "*General Development of the Business - Developments Following the Reverse Takeover Transaction*" below);
  - the Group's anticipated obligations to comply with environmental and employee health and safety matters;
  - the effect of new or altered government regulations with respect to the marketing, acquisition, manufacture, management, transportation, storage, sale and disposal of medical cannabis and medical cannabis products;
  - the grant or renewal of licenses or governmental approvals required to conduct activities related to cannabis;
  - the designation of Focus as an "essential service" in Israel;
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- the intentions of management of the Company;
- the Group's expectations to meet target production capacity;
- the impacts of future scientific findings regarding the medical cannabis market;
- 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 Group's contractual obligations and commitments;
- the completion of the Trichome Transaction (as defined in "*General Development of the Business - Developments Following the Reverse Takeover Transaction*" below), including all requisite court, regulatory and securityholder approvals, and the timing of the completion of the Trichome Transaction; and
- the listing of the Common Shares on NASDAQ and the receipt of all required approvals in respect of such listing, including, but not limited to, registration of the Company's Common Shares with the SEC.

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 medical cannabis in the markets in which the Group operates or is contemplating operations;
- the anticipated demand for adult-use recreational cannabis in Canada upon completion of the Trichome Transaction, if completed;
- the anticipated increase in liquidity for current investors and enhanced access for prospective investors in the Company's Common Shares following a successful listing on NASDAQ, if completed;
- 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;
- future cannabis product pricing;
- cannabis production yields; and
- the Group's ability to market the IMC brand and its services successfully to its anticipated clients.

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 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;
  - the failure of Focus to maintain in good standing or renew any of its government-issued cannabis propagation or cultivation licenses;
  - Focus' reliance on the Focus Facility (as defined herein) 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;
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- 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;
  - 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;
  - unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel and Germany, or any foreign jurisdictions in which the Company intends to operate;
  - the failure of the Company to attain the necessary court, regulatory and securityholder approvals required for the successful completion of the Trichome Transaction (as defined in "General Development of the Business - Developments Following the Reverse Takeover Transaction" below) in a timely manner or at all;
  - the failure of the Company to attain the necessary approvals to successfully list its Common Shares on NASDAQ 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;
  - 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' 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 medical cannabis products;
  - the Israeli government deciding to delay or abandon the decriminalization and/or legalization of adult-use recreational cannabis;
  - any change in the political environment which would negatively affect the decriminalization and/or legalization of adult-use recreational cannabis in Israel;
  - engaging in activities considered illegal under relevant laws including U.S. federal law;
  - political instability and conflict in the Middle East;
  - adverse market conditions;
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- 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 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) needs to 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:

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- (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 and director of the Company, and Rafael Gabay, a director of the Company;
- (c) Messrs. Shuster and Gabay each being a director of Focus (while concurrently being a director and 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.

For additional information, please see "*Risk Factors - Consolidation of Focus Financial Results under IFRS 10 and Maintenance of Common Control*".

#### CURRENCY AND EXCHANGE RATES

References in this AIF to "\$", 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 January 27, 2021, the value of one Canadian dollar expressed in NIS, based on the exchange rate available through the Bank of Israel, is NIS 2.5611, and (ii) **USD** which means the United States Dollar, the lawful currency of the United States of America. As of January 22, 2021, the value of one Canadian dollar expressed in USD, based on the exchange rate available through the U.S. Federal Reserve, is USD 0.7867; (iii) **EUR** which means the Euro, the lawful currency of the European Union. As of January 27, 2021, the value of one Canadian dollar expressed in EUR, based on the exchange rate available through the European Central Bank, is EUR 0.6471.

#### GLOSSARY OF 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.

**"Adjupharm"** means Adjupharm GmbH, a company incorporated under the laws of Germany;

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

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

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"**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 Options**" means broker compensation options of the Company;

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

"**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 License**" and "**Cannabis Licenses**", respectively, have the meanings set out in "*Medical Cannabis Regulatory Framework in Israel and Germany - Israel - Licensing and Authorization for Commercial Activities in the Medical Cannabis Field*";

"**cannabis oil**" means the extract of cannabis inflorescence diluted with oil;

"**CBD**" means cannabidiol;

"**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;

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

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

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

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

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**"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;<sup>1</sup>

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

**"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;<sup>3</sup>

**"Directive 153"** means Directive 153/2016 - IMC-GDP certification, the IMCA directive that sets the conditions for the proper storage and delivery of medical cannabis products in Israel;<sup>4</sup>

**"Dutch Tender"** has the meaning set out in *"General Development of the Business - Developments Following the Reverse Takeover Transaction"*;

**"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"** 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 Export"*;

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

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

**"Focus Agreement"** has the meaning set out in *"Corporate Structure - Intercorporate Relationships"*;

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

**"Focus Lease Agreement"** means certain 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"*;

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<sup>1</sup> Directive 150 [Hebrew] - [https://www.health.gov.il/hozer/mmk150\\_2016.pdf](https://www.health.gov.il/hozer/mmk150_2016.pdf)

<sup>2</sup> Directive 151 [Hebrew] - [https://www.health.gov.il/hozer/mmk151\\_2016.pdf](https://www.health.gov.il/hozer/mmk151_2016.pdf)

<sup>3</sup> Directive 152 [Hebrew] - [https://www.health.gov.il/hozer/mmk152\\_2016.pdf](https://www.health.gov.il/hozer/mmk152_2016.pdf)

<sup>4</sup> Directive 153 [Hebrew] - [https://www.health.gov.il/hozer/mmk153\\_2016.pdf](https://www.health.gov.il/hozer/mmk153_2016.pdf)

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"**Galen**" means Galen Industries Single Member Societe Anonyme;

"**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;

"**IFRS**" means International Financial Reporting Standards 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 and propagation 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;

"**IMC Netherlands Holdco**" has the meaning set out in "*General Development of the Business - Developments Following the Reverse Takeover Transaction*";

"**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**" has the meaning set out in "*Corporate Structure - Intercorporate Relationships*";

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

"**kg**" means a kilogram;

"**MGC**" has the meaning set out in "*General Development of the Business - Developments Following the Reverse Takeover Transaction*";

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

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

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**"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;

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

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

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

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

**"Option Agreements"** has the meaning set out in *"Corporate Structure - Intercorporate Relationships"*;

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

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

**"Pilot Program"** has the meaning set out in *"Medical Cannabis Regulatory Framework in Israel and Germany - Israel - Medical Cannabis Exports"*;

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

**"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"*

**"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"*;

**"RSU"** has the meaning set out in *"Description of Capital Structure - Restricted Share Units"*;

**"RSU Plan"** has the meaning set out in *"Description of Capital Structure - Restricted Share Units"*;

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

**"Services Agreement"** has the meaning set out in *"Corporate Structure - Intercorporate Relationships"*;

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

**"Stock Option Plan"** has the meaning set out in *"Description of Capital Structure - Options"*;

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

"**THC**" means tetrahydrocannabinol;

"**Trichome**" has the meaning set out in "*General Development of the Business - Developments Following the Reverse Takeover Transaction*";

"**Trichome Agreement**" has the meaning set out in "*General Development of the Business - Developments Following the Reverse Takeover Transaction*";

"**Trichome Transaction**" has the meaning set out in "*General Development of the Business - Developments Following the Reverse Takeover Transaction*";

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

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

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

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

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## CORPORATE STRUCTURE

### Name, Address and Incorporation

The full corporate name of the Company is "IM Cannabis Corp." 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 the Provinces of British Columbia and Alberta.

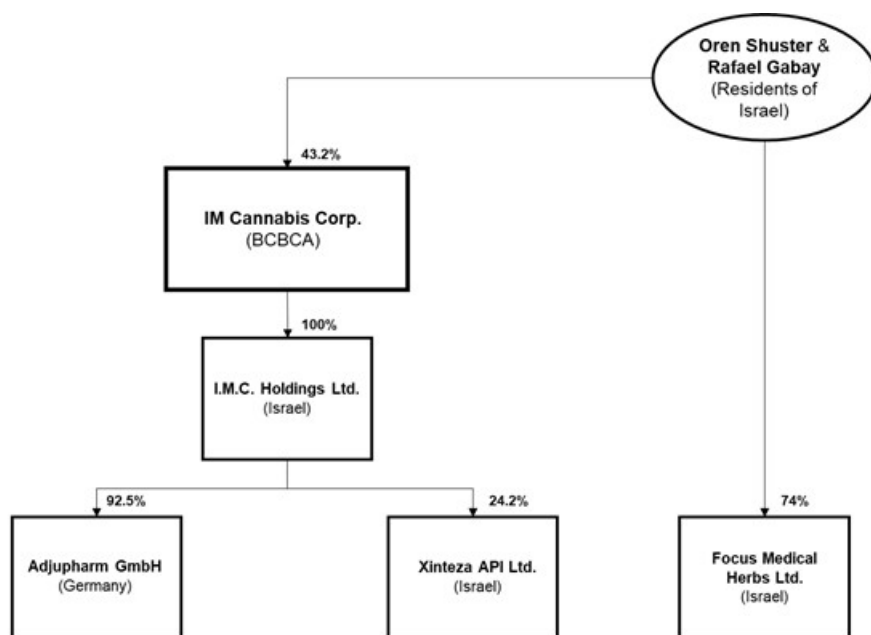
The Company was incorporated as "Nirvana Oil & Gas Ltd." pursuant to a Certificate of Incorporation issued under the BCBCA on March 7, 1980. Effective July 12, 2013, in connection with a share consolidation, the Company changed its name to "Navasota Resources Inc."

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 and changed its name to "IM Cannabis Corp."

### Intercorporate Relationships

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



**Note:** Ownership interests are presented on a non-diluted basis.

Current Israeli law requires the prior approval by the IMCA of the identity 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 MOH to propagate and cultivate cannabis 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 102.78 per share, that being equal to the price per share paid by Messrs. Shuster and Gabay for the acquired interests in Focus at the time of the IMC Restructuring. Although the Company does not hold any voting interests in Focus, the Company is permitted to consolidate the accounts 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*".

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 (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 (the "**Services Agreement**" and collectively with the IP Agreement, the "**Commercial Agreements**").

## GENERAL DEVELOPMENT OF THE BUSINESS

The following discussion covers key events during the Company's historical development over the financial year ended December 31, 2019 as well as material subsequent events to the date of this Annual Information Form.

### History prior to the Reverse Takeover Transaction

The Company historically engaged in mineral resource exploration activities but ceased operations in March 2018 to focus on identifying and evaluating new business opportunities.

### 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. As a result of the Reverse Takeover Transaction, the Company changed its business from mining to the international medical cannabis industry.

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In connection with the Reverse Takeover Transaction, the Company completed a private placement offering of 19,460,527 subscription receipts ("**Subscription Receipts**") 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) Common Share purchase warrant of the Company (each whole Common Share purchase warrant, a "**Warrant**"). Each whole 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.

On November 5, 2019, the Common Shares began trading on the CSE under the ticker symbol "IMCC".

On November 19, 2019, the Warrants began trading on the CSE under the ticker symbol "IMCC.WT".

#### **Developments Following the Reverse Takeover Transaction**

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. As of December 31, 2020, following further investments by third parties into Xinteza, the Company holds 24.2% 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.

On January 23, 2020, IMC Holdings entered into definitive agreements to establish a medical cannabis cultivation and processing joint venture in Greece with Galen, a Greek company established by a consortium of investors in Greece with extensive experience in the pharmaceutical, media, finance and energy sectors. As a result of the agreements, IMC Holdings acquired ownership of 25% of the paid-up capital of Shiran, a private company incorporated and registered in Greece and originally wholly-owned by Galen, while the remaining 75% remained under the ownership of Galen. Under the agreements, each party is committed to fund the initial capital expenditures, totaling approximately up to EUR 8,000,000 for the construction of an EU-GMP certified cultivation and processing facility in Greece.

Also on January 23, 2020, Shiran, Galen and IMC Holdings signed a preferred supply agreement (the "**Galen Supply Agreement**"). Under the Galen Supply Agreement, IMC Holdings has the right to purchase up to 25% of the total production of Shiran at a preferred price as determined therein, for an initial period of five years. As of the date of this Annual Information Form, no material capital expenditures have been made towards Shiran given the uncertainty relating to COVID-19 and the Company is deferring any further investment into Greece indefinitely.

On March 17, 2020, the Company held its annual general shareholders' meeting. At the meeting, incumbent director Jesse Kaplan did not seek re-election as a director of the Company and Vivian Bercovici and Rafael Gabay were elected to the Board.

On March 23, 2020, Focus signed a supply agreement (the "**Intelicanna Supply Agreement**") with Intelicanna Ltd. ("**Intelicanna**") for the purchase by Focus of a minimum of 500kg and up to 1,000kg of medical cannabis cultivated by Intelicanna. Additional purchases may be made by Focus under the Intelicanna Supply Agreement without a change to the contracted price paid to Intelicanna. The finished products are to be sold to pharmacies in Israel under the IMC brand. The Intelicanna Supply Agreement is in effect for a term of 12 months from the date of the first planting in Intelicanna's facility. Intelicanna has received access to Focus' unique and proprietary genetics for the sole purpose of delivering product under the Intelicanna Supply Agreement; however, the genetics remain the exclusive property of Focus. Under the Intelicanna Supply Agreement, Intelicanna is responsible for all production activities under Focus' supervision and quality control practices throughout the growing process at Intelicanna's site.

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On March 30, 2020, Focus signed a binding three-year sales agreement for the sale of IMC-branded medical cannabis products (the **March 2020 Pharmacy Sales Agreement**) to three pharmacies in Jerusalem operating under the Oranim Pharm and Medi Plus banners. Pursuant to the March 2020 Pharmacy Sales Agreement, 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 amount of 2,400kg of medical cannabis products at a contracted price.

On March 31, 2020, Focus signed a supply agreement with Way of Life Ltd., an IMC-GAP certified cultivator ("**Way of Life**"), and Cannation Ltd., an IMC-GAP applicant ("**Cannation**"), and together with Way of Life, the "**Suppliers**") to purchase a total of approximately 2,600kg of medical cannabis per year for an aggregate amount of up to 7,800kg of medical cannabis products over three years. Of the aggregate amount to be supplied under the agreement, delivery of 6,200kg was contingent upon Cannation receiving its IMC-GAP certification. All finished products produced from the medical cannabis supplied under such supply agreement will be sold under the IMC brand to pharmacies in Israel. Under the supply agreement, the Suppliers obtained access to Focus' unique and proprietary genetics for the sole purpose of cultivating and delivering medical cannabis under the supply agreement; however, the genetics would remain the exclusive property of Focus. In addition, Focus received access to the Suppliers' growing facilities to monitor the entire growing process. As Focus has secured the necessary supply to fulfill its delivery obligations under its pharmacy sales agreements and support its Israeli operations, and following the expiration of the milestone for Cannation to obtain IMC-GAP certification, the supply agreement with Cannation was terminated on November 24, 2020.

On April 2, 2020, the Company announced that Adjupharm had received the necessary approvals from regulatory authorities to begin imports and sales of medical cannabis products under the IMC brand to German patients.

On April 6, 2020, Focus signed a binding two-year sales agreement for the sale of medical cannabis products under the IMC brand with Shor Tabachnik pharmacies ("**Tabachnik**") (the "**Tabachnik Sales Agreement**"). According to the Tabachnik Sales Agreement, Focus will sell to Tabachnik 1,000kg of medical cannabis products under the IMC brand annually for the duration of the Tabachnik Sales Agreement at an agreed upon price beginning in 2021.

On April 13, 2020, Focus signed a binding three-year agreement for the sale of 13,575kg of medical cannabis products under the IMC brand to Super-Pharm (Israel) Ltd., the largest pharmacy chain in Israel ("**Super-Pharm**") (the "**SP Sales Agreement**"). According to the SP Sales Agreement, Focus will sell to Super-Pharm a total of 13,575kg of medical cannabis products under the IMC brand over the next three years. Medical cannabis products sold under the SP Sales Agreement will include both dry flower and extract products at an agreed upon price.

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.

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On April 14, 2020, Focus signed an agreement for the sale of up to 1,500kg of medical cannabis products under the IMC brand to Max Pharm Ltd. (**Max Pharm**) over a three year period (the "**MP Sales Agreement**"). Under the MP Sales Agreement, Focus will sell to Max Pharm a total of 500kg of medical cannabis products under the IMC brand annually at an agreed upon price beginning in 2021. Max Pharm has an option to purchase an additional 500kg of medical cannabis products from Focus in each of 2021, 2022 and 2023, for a total volume of up to 3,000kg over three years.

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 PharmYarok Ltd. (**PharmYarok**) (the "**PY Sales Agreement**"). According to the PY Sales Agreement, Focus will sell to PharmYarok a total of 12,600kg of medical cannabis products under the IMC brand between 2021 and 2023 at an agreed upon price, subject to PharmYarok meeting certain regulatory requirements. Medical cannabis products sold under the PY Sales Agreement may include both dry flower and extract products.

On April 26, 2020, Focus signed a three-year definitive supply agreement (the "**Megadim Supply Agreement**") with an IMC-GAP certified independent farmer located in Megadim, Israel and licensed to cultivate medical cannabis. Under the Megadim Supply Agreement, Focus will purchase a total of up to 8,060kg of medical cannabis over three years at an agreed upon price, of which approximately 7,500kg is contingent upon the supplier meeting quality criteria set under the Megadim Supply Agreement. All finished products created from the medical cannabis pursuant to the Megadim Supply Agreement will be sold by Focus under the IMC brand to pharmacies in Israel.

On May 7, 2020, the Company announced that Adjupharm received purchase orders for an aggregate of 360kg of IMC-branded medical cannabis products pursuant to certain distribution agreements entered into with German distributors in March 2020.

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 dry 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 May 26, 2020, Focus received its first shipment of 200kg of imported medical cannabis from Spain-based Linneo Health S.L, the Company's EU-GMP certified supply partner for medical cannabis, to be sold in Israel under the IMC brand starting in June 2020.

On June 12, 2020, the Company signed a binding term sheet for the exclusive distribution rights of CannEpil® in Israel for a period of five years (the "**CannEpil Term Sheet**"), subject to CannEpil® meeting requirements under applicable laws to be qualified as a legal drug in Israel. CannEpil® is a phytocannabinoid medicine developed by MGC Pharmaceuticals Ltd. ("**MGC**") for the treatment of refractory epilepsy. According to the CannEpil Term Sheet, IMCC would be responsible for the registration, promotion and distribution of CannEpil® in Israel. IMCC would also obtain all necessary permits and licenses for importation and commercialization. MGC would continue to own all intellectual property rights associated with CannEpil® and its continued research and development.

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.

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In July 2020, Adjupharm entered into several binding medical cannabis sales agreements with the following distributors in Germany: Zur Rose Pharma GmbH, Axicorp Group, Canymed GmbH and Materia Deutschland GmbH. These additional distributors brought Adjupharm's total number of contracted German distributors to seven, with definitive purchase commitments with such distributors totaling 1,525kg of medical cannabis products bearing the IMC brand to be delivered in Germany over a 12-month period.

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.

On July 28, 2020, the Company established a wholly-owned subsidiary in the Netherlands, IM Cannabis Holding NL B.V. ("**IMC Netherlands Holdco**"), which subsequently established another Dutch entity, IMC Holland B.V. ("**Holland B.V.**"), in which 60% is owned by IMC Netherlands Holdco, and the remaining 40% is owned by a group of four individuals with expertise in the Dutch cannabis market. Holland B.V. was incorporated for the purpose of applying for a Dutch governmental tender (the "**Dutch Tender**") and to establish a full cannabis supply chain to coffee shops in the Dutch municipalities participating in the Dutch Tender. On November 27, 2020, the Company received notice that its application for the Dutch Tender was not accepted. Accordingly, Holland B.V. was liquidated effective as of December 18, 2020. As of the date of this Annual Information Form, the Company is exploring other strategic opportunities involving successful applicants of the Dutch Tender but does not currently have any material operations in the jurisdiction.

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, bringing its total number of contracted German distributors to ten.

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 flower. The Company intends to release additional products as the pace of imports increases. Concurrently, Adjupharm received additional binding purchase commitments from three of its ten German distributors, resulting in Adjupharm having binding purchase commitments from its German distribution partners for an aggregate of 1,615kg of medical cannabis products to be sold under the IMC brand.

On October 8, 2020, the Company applied to list its Common Shares on the NASDAQ Capital Market under the trading symbol "IMCC". The listing on NASDAQ is subject to the satisfaction of all applicable listing and regulatory requirements, including registration of the Common Shares with the SEC, and satisfaction of NASDAQ listing requirements. The Common Shares of the Company will continue to be listed on the CSE under the same trading symbol.

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On December 16, 2020, the Company's shareholders approved a special resolution authorizing a share consolidation of the Common Shares at a ratio of between three (3) and eight (8) pre-consolidation Common Shares for every one post-consolidation Common Share, to be implemented at the discretion of the Board.

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

On December 30, 2020, the Company entered into a definitive agreement with Trichome Financial Corp. ("**Trichome**"), a specialty finance company focused on providing flexible and creative capital solutions to the global legal cannabis market (the "**Trichome Agreement**"), to combine their businesses pursuant to a plan of arrangement to be completed under the *Business Corporations Act* (Ontario) (the "**Trichome Transaction**"). Once completed, the Company will be the only multi-country operator with established direct operations in Israel, the EU and Canada. The combined entity will maintain offices in Glil Yam, Israel and Toronto, Canada and will operate under the IM Cannabis Corp. name with common shares trading on the CSE under the ticker symbol "IMCC". Pursuant to the Trichome Agreement, the shareholders of Trichome will receive 0.981 common shares of IMCC for each common share of Trichome. The completion of the Trichome Transaction will be subject to required court, securityholder and regulatory approvals.

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.

## DESCRIPTION OF THE BUSINESS

### General

The Company is a multi-country operator in the medical cannabis sector headquartered in Israel and with operations in Israel and Germany.

In Israel, IMC Holdings has built the IMC brand of premium medical cannabis products, cultivated over the last decade by Focus and its cultivation partners and sold in the Israeli market. As part of its core Israeli business, the Company offers intellectual property-related services to the medical cannabis industry based on proprietary processes and technologies it developed for the production of medical cannabis products. The Company offers its intellectual property and consulting services to Focus pursuant to the Commercial Agreements in consideration for a share of its revenues resulting from the sales of medical cannabis products under the IMC brand. As of the date of this Annual Information Form, the revenue generated by the Commercial Agreements forms a significant portion of the Company's total revenues. The Company is currently focused on implementing its global expansion strategy with the penetration of both the European and North American cannabis markets.

In Europe, the Company operates in Germany through Adjupharm, an EU-GMP certified medical cannabis distributor, which provides the Company with a platform to establish and entrench its brand using its experience in the Israeli market. The Company's European presence is augmented by strategic alliances with a network of EU-GMP certified suppliers and distributors across the continent. The Company's objective within Europe is to capitalize on the increasing demand for medical cannabis products by bringing the well-established IMC brand and product portfolio to European patients. The Company's operating track record, accumulation of data and brand reputation in Israel is a competitive advantage to gain traction in the German and European markets and build support among physicians that prescribe medical cannabis products. The Company has engaged in exploratory operations to expand to Portugal and Greece, however it has deferred any further investment in these jurisdictions indefinitely in light of the uncertainty related to COVID-19. The Company has also engaged in exploratory efforts in the Netherlands and is seeking collaborative opportunities with successful applicants of the Dutch Tender, however it does not currently have any material operations in the jurisdiction. The Company has long-term plans to expand its European operations by engaging in strategic acquisitions across Europe.

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In North America, once the Trichome Transaction is completed, the Company expects to operate in the adult-use recreational cannabis market in Canada through Trichome's wholly-owned subsidiary, Trichome JWC Acquisition Corp. d/b/a JWC ("**JWC**"). The Company will continue with an aggressive and accretive acquisition strategy focusing on attractively valued and highly synergistic targets in North America. Furthermore, with JWC's premium indoor cultivation facility in Canada, Trichome's operations will diversify the Company's operations and serve as a long-term source of cannabis supply for the Group.

The consolidated revenue of the Group is generated from the sale of medical cannabis products to customers in Israel and Germany by Focus and Adjupharm, respectively. 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*.

Neither the Company nor any of its subsidiaries currently hold, directly or indirectly, any licenses to engage in the propagation, cultivation, production, processing, distribution or sale of medical cannabis products in Israel as required by local legislation. However, under IFRS 10, the Company is required to consolidate the results of Focus, a licensed propagator and cultivator of medical cannabis products under the current Israeli regulatory regime. Focus operates under the regulations of medical cannabis products by the MOH through the IMCA to propagate and cultivate medical cannabis products in Israel. All of Focus' operations are performed pursuant to the Dangerous Drugs Ordinance and the related regulations issued by IMCA. While IMCC does not hold any of the Israeli licenses mentioned above and does not own Focus, it derives a significant portion of its consolidated revenues from Focus' revenue, which is primarily earned from the medical cannabis sales agreements that Focus has with various pharmacies in Israel. Furthermore, the Company has an option under the Focus Agreement to re-acquire 74% ownership of Focus. For more information, please see "*Corporate Structure - Intercompany Relationships*" and "*Note Regarding the Company's Accounting Practices*".

#### **Principal Products and Brands**

"IMC" is a well-known medical cannabis brand in Israel. Leveraging its long-term success in the Israeli market, the Company launched the brand in Germany in 2020. The Company believes that the IMC brand has become synonymous with quality and consistency in the Israeli medical cannabis market. In association with Focus, the Company maintains a brand portfolio that includes popular medical cannabis strains such as Roma, DQ, London, Tel Aviv and Pandora Box.

Focus supplies IMC-branded cannabis flower as well as full-spectrum cannabis extracts. All of the products are tested in certified labs according to MOH standards and certified before being packaged and labelled with detailed information about the THC, CBD and CBN content of each product.

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There are currently several dried medical cannabis flower products and medical cannabis full-spectrum extract products bearing the IMC brand in Israel, designated for the Israeli market:

Strain	THC/CBD/CBN Content <sup>(1)(2)</sup>	Usage
Roma	THC: 16-24% CBD: 0-7% CBN: $\geq 1.5\%$	In Israel, Roma has been prescribed for relief from chronic pain and migraines, as well as to treat insomnia, eating disorders and anxiety.
Tel Aviv	THC: 16-24% CBD: 0-7% CBN: $\geq 1.5\%$	In Israel, Tel Aviv has been prescribed for relief from chronic pain and migraines, as well as to treat eating disorders and anxiety.
Ella	THC: 11-19% CBD: 0-5.5% CBN: $\geq 1.5\%$	In Israel, Ella has been prescribed for relief from pain, post-traumatic stress disorder, Crohn's and colitis, depression, stress, loss of appetite, migraines, nausea and anxiety.
Dairy Queen	THC: 11-19% CBD: 0-5.5% CBN: $\geq 1.5\%$	In Israel, Dairy Queen has been prescribed for relief from pain, stress and anxiety, ALS, MS, and Crohn's disease.
Pandora Box	THC: 11-19% CBD: 0-5.5% CBN: $\geq 1.5\%$	In Israel, Pandora Box has been prescribed for relief from pain, stress and anxiety, as well as to treat depression, migraines and nausea.
Paris	THC: 6-14% CBD: 6-14% CBN: $\geq 1.5\%$	In Israel, Paris has been prescribed for relief from the side effects of chemotherapy and radiation treatments of oncology patients.
London	THC: 11-19% CBD: 0-5.5% CBN: $\geq 1.5\%$	In Israel, London has been prescribed for relief from chronic pain and migraines, as well as to treat insomnia, eating disorders, anxiety and post-traumatic stress disorder.
IMC Canadian	THC: 11-19% CBD: 0-5.5% CBN: $\geq 1.5\%$	In Israel, IMC Canadian has been prescribed for relief from pain.
IMC Spanish	THC: 16-24% CBD: 0-7% CBN: $\geq 1.5\%$	In Israel, IMC Spanish has been prescribed for relief from pain as well as other chronic pain-related medical conditions.

Name	THC/CBD/CBN Content <sup>(1)</sup> (2)	Usage
Medical Cannabis Oil	THC: 10% CBD: 2% CBN: $\geq 1.5\%$	In Israel, Medical Cannabis Oil has been prescribed for patients who are first-time users of medical cannabis for various indications.
Medical Cannabis Oil - Forte	THC: 15% CBD: 3% CBN: $\geq 1.5\%$	In Israel, Medical Cannabis Oil - Forte has been prescribed for inducing sleep and alleviating pain, as well as relieving side effects of chemotherapy treatment.
Rich CBD Medical Cannabis Oil	THC: 6% CBD: 4% CBN: $\geq 1.5\%$	In Israel, Rich CBD Medical Cannabis Oil has been prescribed for patients with active day-time routines as the formula minimizes psychoactive effects.

**Notes:**

- (1) The actual percentages of THC and CBD content are determined by certified laboratory inspections and disclosed on the label of each IMC-branded medical cannabis product sold in Israel. Depending on such THC and CBD content, each IMC-branded medical cannabis product is labelled based on the following categories, in accordance with MOH Regulations: (a) 'T20/C4' (THC 16-24% and CBD 0-7%); (b) 'T15/C3' (THC 11-19% and CBD 0-5.5%); (c) 'T10/C2' (THC 6-14% and CBD 0-3.8%); (d) 'T10/C10' (THC 6-14% and CBD 6-14%); (e) 'T5/C5' (THC 1-9% and CBD 1-9%); (f) 'T0/C24' (THC 0-0.5% and CBD 20-28%); (g) 'T1/C20' (THC 0-2.5% and CBD 16-24%); (h) 'T3/C15' (THC 0.5-5.5% and CBD 11-19%); and (i) 'T5/C10' (THC 2.5-7.5% and CBD 6-14%). For all IMC-branded medical cannabis products, CBN content is less than or equal to 1.5%.<sup>5</sup>
- (2) The stated THC, CBD and CBN percentage ranges are expected ranges; the actual percentages, as labelled on product packaging under the IMC brand, may vary or deviate from such ranges.

In Germany, the Company sells an IMC-branded medical cannabis flower product. The medical cannabis product sold in the German market is branded generically as "IMC" so as to rely on the Company's name recognition in establishing a foothold with German consumers.

**New Products**

The Group intends to, subject to applicable laws and regulatory approvals, distribute CannEpi®, a phytocannabinoid medicine developed by MGC, to be used for the treatment of refractory epilepsy. The distribution of CannEpi® is subject to the execution of a definitive distribution agreement.

**Revenue**

The following table shows the sales figures in 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, 2019 and 2018, 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.

<sup>5</sup> Directive 154 [Hebrew] - [https://www.health.gov.il/hozer/mmk154\\_2016.pdf](https://www.health.gov.il/hozer/mmk154_2016.pdf)



Revenue By Product Type				
Financial Year	Medical Cannabis Dried Flower or Extract T15/C3 <sup>(1)</sup>	Medical Cannabis Dried Flower or Extract T20/C4 <sup>(2)</sup>	Other	Total
2019	\$2,907,000	\$3,405,000	\$2,762,000	<b>\$9,074,000</b>
2018	\$2,052,000	\$2,076,000	\$1,069,000	<b>\$5,197,000</b>

**Notes:**

- (1) IMC-branded medical cannabis products marked and sold under the category 'T15/C3', reflecting THC content of 11-19% and CBD content of 0-5.5%.  
(2) IMC-branded medical cannabis products marked and sold under the category 'T20/C4', reflecting THC content of 16-24% and CBD content of 0-7%.

**Production, Distribution and Sales in Principal Markets**

*Israel*

The Company does not directly produce or distribute medical cannabis products in Israel. Pursuant to the Commercial Agreements, Focus propagates and cultivates medical cannabis products to be distributed under the IMC brand. Finished medical cannabis products are sold by Focus under the IMC brand to local pharmacies in Israel through contracted distributors. Focus holds a license from the MOH to propagate and cultivate medical cannabis in the State of Israel (the "**Focus License**"). Focus is one of the eight medical cannabis producers initially licensed by Israeli regulatory authorities and has over 10 years of experience in growing high quality medical cannabis products for the Israeli market. The MOH recently renewed the Focus License to be valid until January 3, 2022. All of Focus' operations are performed pursuant to the Dangerous Drugs Ordinance and the related regulations issued by IMCA.

Focus currently operates the Focus Facility, which has a total of approximately 300,000 square feet of cultivation and production capacity and a current annual output capability of up to 5,000kg of medical cannabis products.

Since the Reverse Takeover Transaction, and in light of the steady rise in demand for medical cannabis, Focus has adopted an asset-light operational approach to minimize capital expenditures. As a result, Focus supplements its cultivation and production output by securing supply agreements with third-party cultivators to deliver medical cannabis for sale under the IMC brand. Focus assists its supply partners by providing cultivation advice based on its 10 years of expertise pertaining to medical cannabis production. For further information, see "*General Development of the Business - Developments Following the Reverse Takeover Transaction*".

The Company is actively seeking to provide its intellectual property, know-how and services to other Israeli medical cannabis producers.

*Europe*

The Company replicated its Israeli business strategy and established its medical cannabis brand in the European market through Adjupharm, a certified EU-GMP 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.

Adjupharm currently manufactures and distributes IMC-branded medical cannabis products, in addition to other branded medical cannabis products, to pharmacies and sub-distributors in Germany pursuant to sales and distribution agreements. Similar to Focus, Adjupharm sources its medical cannabis products by purchasing medical cannabis from strategic partners, including various pan-European EU-GMP suppliers. While the Company does not currently distribute products in other European countries other than in Germany, the Company intends to leverage the model 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 centered in Germany, whose medical cannabis market is currently considered the largest in Europe.<sup>6</sup> Adjupharm serves as the Company's principal operating hub in the German market and was originally acquired by IMC Holdings in early 2019. The Company, through IMC Holdings, currently owns 92.5% of Adjupharm, with the balance owned by Adjupharm's Chief Executive Officer. An additional 2.48% ownership stake in Adjupharm is expected to be granted to Adjupharm's Chief Executive Officer on March 1, 2021, pursuant to the terms of his employment agreement.

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. Led by Adjupharm's Chief Executive Officer Richard Balla, 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 IMC brand. The Company currently has approximately 3,200 square feet of warehousing and GMP Standard production capacity in Germany and expects to expand its facilities by an additional 3,200 square feet in Q1 2021. Adjupharm sources its supply of medical cannabis for the German market from EU-GMP certified suppliers.

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.<sup>7</sup> Adjupharm recently completed the expansion of its internal and external sales department and is 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.

The Company is actively seeking additional cultivation partners across Europe to further develop its European presence. For more details on Adjupharm's agreements with third-party distributors, see "*General Development of the Business - Developments Following the Reverse Takeover Transaction*".

## **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 to Focus and Focus' third-party cultivation partners.

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<sup>6</sup> Health Europa, June 23, 2020. <https://www.healtheuropa.eu/exploring-growth-in-the-european-medical-cannabis-market/100849/>

<sup>7</sup> Federal Union of German Associations of Pharmacists: Figures Data Facts 2020.

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### **Competitive Conditions**

The medical cannabis industry in which the Group operates is, and is expected to remain, very competitive. Medical cannabis companies compete primarily on a regional basis, and competition may vary significantly from region to region at any particular time. The medical 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 Company faces competition in Israel among similar intellectual property-related service providers and from other established brands 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. Focus also competes with other licensed cultivators and purveyors of medical cannabis brands offering products to local pharmacies.

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 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.

### **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 medical 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 medical cannabis products in international markets. The Group owns trademarks and trade secrets that allow it to serve a range of medical cannabis industry participants.

"IMC" is a registered trade name and trademark valid in Israel through May 2027 and in Germany through May 2030. During the fourth quarter of 2020, the Company applied for the registration of "IMC" as a trade name and trademark with the European Union Intellectual Property Office including an extension through the World Intellectual Property Organization to Switzerland, Norway and the United Kingdom. In Canada, the Company has engaged with authorities regarding a trademark registered under the IMC name for use in connection with various food supplements, vitamins, minerals and proteins and is awaiting a response to its submissions.

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## **Cycles**

The demand for medical cannabis products is not influenced by seasonal or cyclical trends, and subject to the continued increase in demand in the medical cannabis market<sup>8</sup>, is consistent year-round. In addition, the Company's cultivation strategy, as well as its ability to secure additional supply from its cultivation partners, allows Focus and Adjupharm to provide consistent supply of medical cannabis products to their respective distributors all year-round.

## **Economic Dependence**

The Company is substantially dependent on Focus' sales and distribution agreements with Israeli distributors, as listed and described under "*General Development of the Business - Developments Following the Reverse Takeover Transaction*" above, and additional sales to pharmacies through purchase orders received from time to time, in order to maintain revenues. In light of this dependence, any failure to maintain the Focus License or the Focus Lease Agreement or keep the Focus Facility 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 Focus' operations, see "*Risk Factors*" below.

Focus relies on and is substantially dependent on supply agreements with third-party cannabis cultivators to fulfill the supply requirements of its distribution and sales agreements with pharmacies in the Israeli market. For further information on such supply agreements, see "*General Development of the Business - Developments Following the Reverse Takeover Transaction*".

Similar to Focus, 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*" above.

Certain German distributors have entered into significant binding purchase commitments with Adjupharm whereby Adjupharm is to supply the German distributors with medical cannabis products bearing the IMC brand for distribution across Europe. 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.

## **Changes to Contracts**

There were no changes to contracts that materially affected the Company's financial year ended December 31, 2019. As of the date of this Annual Information Form, the Company does not anticipate being materially affected by the renegotiation or termination of any contracts or sub-contracts in the current financial year.

## **Environmental Protection**

The Company'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 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.

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<sup>8</sup> IMCA - Up-to-date data from patient licenses (November 2020). P. 2 [Hebrew]<https://www.health.gov.il/Subjects/cannabis/Documents/licenses-status-november-2020.pdf>

## **Employees**

As of December 31, 2019, the Company and its subsidiaries employed approximately 14 employees and Focus employed approximately 35 employees.

As of the date of this Annual Information Form, the Company and its subsidiaries employ approximately 21 employees and Focus employs approximately 55 employees.

## **Medical Cannabis Regulatory Framework in Israel and Germany**

To operate its business, the Company must abide by applicable medical cannabis laws in those countries in which it operates, namely Israel and Germany. 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*

Medical cannabis was first made available to patients in Israel in the early 1990s.<sup>9</sup> Since then, Israel has developed one of the oldest medical marijuana research and business centers in the world, hosting dozens of cannabis companies and clinical studies pioneering how the plant can be used to treat cancer, epilepsy, post-traumatic stress disorder and other conditions. It has also been a leader in cultivation science.

The regulatory framework of medical cannabis in Israel has developed alongside the industry, as government organizations and directives have been established to legalize and facilitate the commercial operations of medical cannabis products in the country. In Israel, cannabis is currently defined as a "dangerous drug" according to both the Dangerous Drugs Ordinance<sup>10</sup> and the 1961 Single Convention on Narcotic Drugs, to which Israel is a signatory. However, both the Dangerous Drugs Ordinance and the 1961 Single Convention on Narcotic Drugs allow for the use of cannabis for medical or research purposes under a supervised and controlled regime. In part to the growing evidence on the medicinal benefits of cannabis, the Israeli government on August 7, 2011 published Government Res. No. 3069<sup>11</sup> which laid the foundation for the National Medical Cannabis Program (the "NMCP"). The MOH, which is responsible for determining Israel's policies on matters of health and medical services, established the IMCA, or "YAKAR" in Hebrew, as the key agency to administrate the NMCP and the regulation of the Israeli cannabis sector. Regulated activities include the cultivation, production, distribution, delivery, possession, transportation, destruction of medical cannabis and related laboratory services. Israeli laws require anyone engaging in such activities to obtain an appropriate license issued by the IMCA under the Dangerous Drugs Ordinance and comply with the terms and conditions of such license. The production and distribution of adult-use recreational cannabis products is currently illegal in Israel.

The Israeli government has acknowledged that cannabis-based products may assist patients with certain medical conditions. In 2016, the Israeli government passed Government Res. No. 1587 ("Resolution 1587"),<sup>12</sup> which outlines the "medicalization" of cannabis products. Resolution 1587 ensures the establishment of professional criteria for medical conditions to authorize patients for treatment with medical cannabis products, accessibility to the treatment, supply of medical-grade cannabis products and proper supervision of the product. Pursuant to the NMCP, the MOH is authorized to issue permits to patients related to the use of cannabis for medicinal purposes. The IMCA has established a regulatory "road map" for the licensing of commercial activities in the medical cannabis field, including the operation of commercial medical cannabis facilities in Israel.

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<sup>9</sup> Ministry of Economy and Industry State of Israel, Israel's Medical Cannabis Innovation (August 2019). Pg. 12.  
<https://investinIsrael.gov.il/Documents/RoundTable/medical-cannabis-doc250919.pdf>

<sup>10</sup> 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](https://www.health.gov.il/LegislationLibrary/Samim_01_EN.pdf)

<sup>11</sup> Israeli Government Res. No. 3609 [Hebrew], August 7th, 2011 [https://www.gov.il/he/Departments/policies/2011\\_des3609](https://www.gov.il/he/Departments/policies/2011_des3609)

<sup>12</sup> Israeli Government Res. No. 1587 [Hebrew], June 26, 2016 [https://www.gov.il/he/departments/policies/2016\\_dec1587a](https://www.gov.il/he/departments/policies/2016_dec1587a)

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The IMCA has since issued additional regulations setting out appropriate quality standards for the medical use of cannabis in a manner similar to the use of existing medicines. Israel has also begun establishing and broadening the scope of the NMCP to apply to all levels of the supply chain of medical cannabis based on Israeli government resolutions and administrative orders issued by the MOH. Activities conducted pursuant to the NMCP are under the control and supervision of the IMCA.

#### Patient Medical Use

The IMCA is responsible for reviewing applications and issuing permits to patients to hold and use medical cannabis products pursuant to Procedure 106 of the MOH ("**Procedure 106**").<sup>13</sup> Procedure 106 sets out a list of medical conditions that may be treated with medical cannabis products. Such authorized medical conditions are examined and updated from time to time. For medical conditions that are not listed in Procedure 106, patients can apply for exceptions on extraordinary grounds.

An application for the approval of cannabis use for medical reasons, or an application for a license renewal or a change of dosage or form of consumption, must be submitted according to Procedure 106.

According to data from the MOH<sup>14</sup> from November 2020, there were 77,338 patients licensed for medical cannabis usage in Israel. This figure reflected an increase of approximately 50% from the MOH's November 2019 figures.

#### Licensing and Authorization for Commercial Activities in the Medical Cannabis Field

In December 2017, pursuant to the NMCP, the MOH issued regulations that standardized the licensing process of growers, manufacturers, suppliers and pharmacies wishing to conduct commercial activities in the field of medical cannabis (the "**Road Map**").<sup>15</sup>

Pursuant to the Road Map, each operation in the medical cannabis field, including the cultivation, production, distribution, delivery, possession, transportation, destruction, and laboratory services, requires compliance with the provisions of applicable laws, including the procurement of an appropriate license under the Dangerous Drug Ordinance from the IMCA and the maintenance of such license in good standing. In addition, the Road Map does not allow an operating entity to conduct operations in more than one of the 'growth', 'production' and 'delivery' sub-sectors of the commercial medical cannabis chain; however, owners may partially or wholly own multiple operating entities operating in different sub-sectors.

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<sup>13</sup> Ministry of Health Pharmaceutical Division Policy Number 106 - Licenses for Use of Cannabis

[https://www.health.gov.il/hozer/DR\\_106.pdf](https://www.health.gov.il/hozer/DR_106.pdf) (in Hebrew)

<sup>14</sup> Updated Data from Patients' Licenses, November 2020 - <https://www.health.gov.il/Subjects/cannabis/Documents/licenses-status-november-2020.pdf> (in Hebrew)

<sup>15</sup> 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](https://www.health.gov.il/hozer/CN_107_2019.pdf)

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The following is a list of operational licenses that may be obtained pursuant to Israeli regulations (the **"Cannabis Licenses"**, and each a **"Cannabis License"**) which, subject to certain exceptions, must be held by separate legal entities:

- License for a medical cannabis propagation facility\*;
- License for a medical cannabis cultivation facility\*;
- License for a medical cannabis products manufacturing facility;
- License for a medical cannabis storage and retail facility;
- License for a pharmacy authorized to distribute medical cannabis; and
- Other licenses for the destruction, transportation and research and development activities with respect to medical cannabis.

\*These licenses may be held concurrently by a single entity.

Cannabis Licenses may not be transferred, exchanged or assigned. They are valid for a period of up to 3 years and may be renewed with the approval of the IMCA.

The MOH has issued a set of directives containing procedures and requirements for Cannabis License applicants 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).

#### Changes under the MOH Regulations

Until September 2019, 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. As an example, a patient that was to receive 20 grams of medical cannabis products per month would pay the same monthly fee of NIS 370 as a patient that received 180 grams per month. In addition, IMCA assigned patients to a particular licensed medical cannabis producer, from which each patient would exclusively receive their medical cannabis products. Under the previous medical cannabis regulations, Focus distributed approximately 80% of its medical cannabis products via home delivery and the remaining 20% via an IMCA-established distribution outlet.

Under the MOH's new regulations, medical cannabis products are delivered from a licensed producer to a manufacturer, which then delivers to a distributor to distribute to pharmacies. In addition, patients licensed for consumption of medical cannabis products are no longer exclusively assigned to medical cannabis producers and may purchase medical cannabis products from authorized pharmacies at a range of price points without any MOH-regulated price controls.

In light of the MOH's new regulations, some medical cannabis patient licenses granted under the previous regime are still valid. The medical cannabis patient licenses set to expire during the period from February 1, 2019 to July 31, 2019 were extended by order of the Israeli Supreme Court until further notice by the Court. While these licenses remain valid, the patients that hold these licenses are entitled to receive medical cannabis products pursuant to the price controls and supplier restrictions of the former regime. Additional information on the proceedings pursuant to which the above-referenced order was granted can be found under *"Legal Proceedings and Regulatory Actions - Legal Proceedings - Supreme Court of Justice 2335/19"*.

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#### Medical Cannabis Imports

In October 2020, the MOH 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. According to Procedure 109, the following permits and licenses are required to receive a cannabis import license:

1. License to possess medical cannabis and operate in the medical cannabis industry;
2. License to import plant material;
3. Permit to import narcotic drugs; and
4. License to import a dangerous drug.

#### Medical Cannabis Exports

The Israeli government approved a legislative reform on January 27, 2019<sup>16</sup> (the "**Export Resolution**") allowing the export of certain cannabis products, subject to the terms and conditions of the applicable license granted by the MOH. In addition, the cannabis products must meet the quality standards of the MOH and be delivered only to countries that have signed the 1961 Single Convention on Narcotic Drugs<sup>17</sup> and approved the import of cannabis products into their territory; provided however, that the export shall be made, and the applicable export license shall be provided, in accordance with the respective regulations set by the MOH.

In October 2020, the MOH launched a new pilot program under which medical cannabis producers would be authorized to export medical cannabis products, subject to the requirement that certain products be made available at a fixed price of NIS 14 per gram to patients in Israel over the age of 21 and NIS 10 per gram to patients under the age of 21 (the "**Pilot Program**"). Each participating company would decide the selection of medical cannabis products made available under the Pilot Program. The Pilot Program was planned for an initial period of three months and was extended in January 2021. As products bearing the IMC brand are offered as part of the Pilot Program, IMC-branded products are eligible for immediate application for export permits.

In December 2020, the IMCA published guidelines for the medical cannabis export permit application process<sup>18</sup> (the "**Export Guidelines**"), pursuant to which an export permit will only be granted to an applicant if (i) sufficient domestic supply has been secured by such applicant in the variety and quantity that will meet the Israeli level of demand; (ii) the delivery of medical cannabis is made from approved sites; (iii) the applicant has a valid IMC-GDP certification and business license from the IMCA; and (iv) an import permit from the importing country is obtained and attached to the export application. The term to apply for export permits under the program, according to the Export Guidelines, is currently set to expire at the end of Q1 2021. Further extensions shall be considered by the IMCA based on the success of the Pilot Program.

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<sup>16</sup> Directive 4490 [Hebrew] - [https://www.gov.il/he/departments/policies/dec4490\\_2019](https://www.gov.il/he/departments/policies/dec4490_2019)

<sup>17</sup> *Single Convention on Narcotic Drugs, 1961*, as amended by the 1972 Protocol amending the *Single Convention on Narcotic Drugs, 1961* - [https://www.unodc.org/pdf/convention\\_1961\\_en.pdf](https://www.unodc.org/pdf/convention_1961_en.pdf)

<sup>18</sup> Directive 110, December 2020 [Hebrew] - [https://www.health.gov.il/hozer/CN\\_110.pdf](https://www.health.gov.il/hozer/CN_110.pdf)

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#### Legalization of Adult-Use Recreational Cannabis in Israel

As of the date of this Annual Information Form, adult-use recreational cannabis use in Israel 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 "**Report**"). Based on the Report, the Israeli Ministry of Justice was expected to formulate a bill to begin the legislative process towards the legalization of adult-use recreational cannabis. The government committee made its recommendation for legalization based on the increasing demand for adult-use recreational cannabis in Israel, the importance of maintaining quality standards and limiting uncontrolled products, the need for increased access to cannabis by medical patients and the objective of decreasing the size of the illegal market. The model proposed by the government committee in the Report is similar in nature to the model adopted in Canada, whereby the sale of adult-use recreational cannabis would be channeled through government-licensed dispensaries.

In December 2020, the governing Israeli parliament dissolved and general elections were scheduled for March 2021. All such legislative initiatives were suspended and there is no certainty regarding their renewal following the formation of a new government elected from the March 2021 elections.

#### *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 (in concrete: narcotic), 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 "stemming from cultivation for medicinal purposes under state control in accordance with Articles 23 and 28 (1) of the 1961 Single Convention on Narcotic Drugs, and in preparations as finished medicinal products." 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. Medical cannabis in Germany must comply with the corresponding monographs of the German and European pharmacopoeia.

The German medical cannabis licensing regime can be separated into two parts: generally, on the basis of Section 13 of the *German Medicines Act ("AMG")*; and with regard to narcotics, on the basis of Section 3 of the BtMG (both under federal jurisdiction). The import, export and distribution of medical cannabis currently requires a wholesale permit pursuant to Section 52a of the AMG and a distribution permit for narcotics pursuant to Section 3 of the BtMG. Manufacturing operations require authorizations pursuant to Sections 13 and 52a of the 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 Federal Opium Agency of Germany. The import of medical cannabis from other EU and non-EU countries requires quantity-based import licenses pursuant to Section 11 of the BtMG. In addition, for imports from a non-EU country, an import certificate pursuant to Section 72a of the AMG is required and in certain circumstances, depending on the import source, a general import permit may also be required under Section 72 of the AMG.

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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.<sup>19</sup> 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 1961 Single Convention on Narcotic Drugs. 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.

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. Following a delay caused by a legal proceeding regarding the initial tender process, BfArM relaunched the application process and selected 13 cultivation lots in April 2019 to receive licenses. 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. According to the German government, the first deliveries of medical cannabis products for purchase by the Cannabis Agency are expected in the first quarter of 2021.<sup>20</sup> As for distribution of locally cultivated medical cannabis products, one pharmaceutical wholesaler was granted a distribution license in order to organize the storage and distribution of medical cannabis products to pharmacies on behalf of the Cannabis Agency.

#### 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 1961 Single Convention on Narcotic Drugs. Pursuant to the 1961 Single Convention on Narcotic Drugs, 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 Federal Opium Agency of Germany by June 30<sup>th</sup> of each year.

As a prerequisite to obtaining a German import license, an applicant must have EU-GMP Standard and EU-GACP Standard certifications. All medical cannabis products imported to Germany must have been cultivated in a country with regulations compliant with Articles 23 and 28(1) of the 1961 Single Convention on Narcotic Drugs, 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.

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<sup>19</sup> [www.bfarm.de/DE/Bundesopiumstelle/Cannabis/Cannabisagentur/\\_node.html](http://www.bfarm.de/DE/Bundesopiumstelle/Cannabis/Cannabisagentur/_node.html)

<sup>20</sup> [www.bfarm.de/SharedDocs/Pressemitteilungen/DE/2019/pm4-2019.html](http://www.bfarm.de/SharedDocs/Pressemitteilungen/DE/2019/pm4-2019.html)

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#### 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 flowers (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.

#### Bankruptcy

No voluntary or involuntary bankruptcy, receivership or similar proceedings have been engaged against Focus, the Company or any of the Company's subsidiaries during the financial years ended December 31, 2019, April 30, 2019, April 30, 2018. 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 in this AIF, no material reorganizations of the Company or any of its subsidiaries have taken place within the financial years ended December 31, 2019, April 30, 2019, April 30, 2018, 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. For more information, please see "*General Development of Business*" above.

#### Social or Environmental Policies

The Company has not implemented any specific social or environmental policies that are fundamental to the Company's operations. 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.

### **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 and cause the price of its securities to decline. 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](http://www.sedar.com), holders of securities should carefully consider each of, and the cumulative effect of all of, the following risk factors.

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*General Business Risk and Liability*

Given the nature of the Company'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 Company, 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 Company's right to carry on its existing business. The Company may incur significant costs in connection with such potential liabilities.

*Consolidation of Focus 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 and director of the Company, and Rafael Gabay, a director of the Company;
- (c) Messrs. Shuster and Gabay each being a director of Focus (while concurrently being a director and 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.

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#### *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.

#### *Limited Operating History*

The Company did not generate revenue from the sale of cannabis products until late 2019. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

#### *Negative Cash Flow from Operations*

During the nine months ended September 30, 2020 and year ended December 31, 2019, 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.

#### *Regulation of the Cannabis Industry*

The 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 and the BfArM, relating to the manufacture, marketing, management, transportation, storage, sale, pricing and disposal of medical cannabis flowers and cannabis oil 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.

The Group's operations may also be impacted by any future government regulation of adult-use recreational cannabis. As of the date of this Annual Information Form, an Israeli government committee responsible for advancing cannabis market reform has expressed positive views towards the legalization of adult-use recreational cannabis in Israel and the Israeli Ministry of Justice is expected to formulate a bill to allow for this objective. However, in December 2020, the governing Israeli parliament dissolved and general elections were scheduled for March 2021, suspending all such legislative initiatives including the legalization process for adult-use recreational cannabis. There is no certainty that any initiatives will be revisited following the formation of a new government in March 2021.

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Notwithstanding the foregoing, the Group is well positioned to take advantage of the increased market opportunities provided by the legalization of adult-use recreational cannabis in Israel if it occurs. Any delays or abandonment to the legalization of adult-use recreational cannabis or changes to the political environment which would negatively affect the legalization of adult-use recreational cannabis in Israel may hinder demand and/or growth of demand for medical cannabis products bearing the IMC brand and may have material adverse effects to the Group's business.

Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Group, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Group's products and services. Achievement of the Group's 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 to secure all appropriate regulatory approvals for the Group's products, 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 Group.

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 Group's 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 Group's 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 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 medical 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. While the Group is currently in compliance with all such laws, regulations and guidelines, any rulings to the contrary or 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.

#### *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. 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 Group'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 Group. This is particularly relevant for Focus and Adjupharm as these entities engage in cannabis-related operations that may be more prone to environmental and employee safety issues. Any changes to current laws and regulations may require substantial investments by the Group in order to comply such changes. If substantial investments are required, there may be a material adverse effect on the Group's operations, financial condition and operating results.

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#### *Reliance on License and Permit Renewals*

Focus and Adjupharm are dependent on the Focus License and Adjupharm Licenses (together, the "**Key Licenses**"), respectively, and the need to maintain such Key Licenses in good standing. Failure to comply with the requirements or maintenance of any of the Key Licenses may have a material adverse effect on the business, financial condition and operating results of the Group. As of the date of this Annual Information Form, the Focus License is valid until January 3, 2022 and the quantities for import under the Adjupharm Licenses are valid until May 8, 2021. Although management of Focus and Adjupharm believe that they will continue to meet the requirements of the MOH and BfArM, respectively, for the respective durations of the Key Licenses, there can be no guarantee that the MOH or BfArM will extend or renew any of the Key Licenses or, if any of the Key Licenses are extended or renewed, that they will be extended or renewed on the same or similar terms.

Should the MOH or BfArM not extend or renew any of the Key Licenses, or should it renew any of the Key Licenses on different terms or not allow for anticipated capacity increases, the business, financial condition, results of the operations and prospects of the Group may be subject to a material adverse effect.

#### *Reliance on Other Business Licenses, Permits and Approvals*

In addition to Focus' and Adjupharm's dependence on the Focus License and Adjupharm Licenses mentioned above, the Group is also 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, 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.

#### *Reliance on 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 Group's business, financial condition, results of operations and prospects.

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

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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.

The Focus Facility continues to operate with routine maintenance. Focus will bear many, if not all, of the costs of maintenance and upkeep of the Focus Facility, including replacement of components over time. Focus' operations and the Group's financial performance may be adversely affected if Focus is unable to keep up with maintenance requirements.

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 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**"). Focus is fully cooperating with the ongoing investigations of both the Construction Committee and the MOH. As of the date of this Annual Information Form, no formal legal proceedings have been commenced against any of Focus, Mr. Shuster or Mr. Gabay. In the event that formal legal proceedings in respect of the Construction Allegations and/or the MOH Allegations are launched, potential consequences of any negative outcome may include, but are not limited to: (i) criminal charges against any or all of Focus or Focus' shareholders and directors, including Mr. Shuster and Mr. Gabay; (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 Allegations or the MOH Allegations may have a material adverse effect on the business, results of operations and financial conditions of the Group.

#### *Product Security and Storage*

The Group stores products in the Focus Facility and certain licensed Adjupharm facilities before delivering them to contracted parties. As part of the Israeli and German licensing requirements, Focus and Adjupharm are required to maintain certain standards of storage for cannabis products. The risk of inventory theft from these facilities is mitigated by Focus and Adjupharm through the implementation of the security measures required under applicable laws, such as usage of qualified storage units, designated storage locations, 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.

#### *Reliance on Key Suppliers*

Focus and Adjupharm both rely on their respective 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 Group relies on the suppliers of such supply agreements to provide necessary cannabis products to Focus and Adjupharm. If any suppliers fail to supply any contracted materials to Focus or Adjupharm as a result of, among other things, disruptions related to major health issues or pandemics, or labor disputes, Focus or Adjupharm may fail to meet purchase commitments from their distribution partners. Any inability to secure required supplies and services or to do so on favourable terms could negatively impact the operations of Focus or Adjupharm. In addition, failures of suppliers to maintain required licenses, permits and approvals, including any import/export permits or comply with applicable laws, regulations and contractual specifications pertaining to the contracted cannabis products may also result in Focus' or Adjupharm's failure to meet purchase commitments. As the Group derives a significant portion of its revenue from the fulfilment of these purchase commitments, such supplier failures may lead to a material adverse effect on the business, results of operations and financial conditions of the Group.

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Any product recalls, quality control issues with medical cannabis products supplied to Focus or Adjupharm, or inability of the Group to secure required supplies and services or to do so on adequate terms could also cause a material adverse effect on the Group's business, financial condition and results of operations.

*Reliance on Key Distribution Partners*

Focus and Adjupharm both rely heavily on their respective sales agreements with pharmacies and distribution partners in order to exchange payment for shipments of medical cannabis products pursuant to binding purchase commitments. Consequently, the Company relies on the distribution partners of such sales agreements to make payments as shipments of medical cannabis products are delivered. If any distribution partners fail to make delivery to pharmacies or payments to Focus or Adjupharm, the Company may experience a decline in the revenues it derives from Focus or Adjupharm. Such distribution partner failures may ultimately lead to a material adverse effect on the business, results of operations and financial conditions of the Group.

*Ability to Meet Target Production Capacity*

Focus' 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 Company's business, financial condition and operating results.

*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 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 Company'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.

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### *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 significant investments in its business strategy. These investments include the procurement of raw material, supplier and distributor outreach projects, and research and development projects. The Company 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 medical 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 medical cannabis products and thus may have a material adverse effect on the Group's business, financial condition and operating results.

### *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 IMCC 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. In particular, the Company expects an increase in market entrants in Germany following the German Local Tender. 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.

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As the recreational cannabis market matures in Canada, assuming the successful completion of the Trichome Transaction, 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. In addition, the Company may face intense competition in the Canadian cannabis financing market from financial service providers, including but not limited to banks, credit unions, and alternative lenders, some of which may have longer operating histories and greater financial resources than the Company. Increased competition by larger and better-financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

#### *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.

#### *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. If the Company were to lose any members of the executive management team 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.

#### *Reliance on International Advisors and Consultants*

The legal and regulatory requirements in the foreign countries in which the Company 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 Company'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 Company's business operations, and to assist with governmental relations. The Company 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 Company's understanding of and appreciation for the local business culture and practices. The Company 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 Company's control. The impact of any such changes may cause a material adverse effect to the Company's business, financial condition, operating results and prospects.

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#### *Foreign Market Participation*

The Company currently operates or anticipates operating in various international jurisdictions and is subject to inherent risks from the exposure to foreign markets including without limitation currency risk, restrictions on the use of offshore bank accounts for local operating companies; trade restrictions, additional regulatory requirements and restrictions, increased financing costs, litigation risk, high inflation risk, expropriation and nationalization, and political risk. The Company continues 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 Company'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.

#### *Completion of Trichome Transaction*

There is no guarantee that the Trichome Transaction, as described in "*Description of the Business*", will be completed in the currently proposed form, if at all, nor is there any guarantee that the Company will be able to continue developing operations in its current jurisdictions or expand into new jurisdictions. Any such activities will require, among other things, various regulatory, court, securityholder, stock exchange and other third-party approvals, licenses and permits and there is no guarantee that all required approvals, licenses and permits will be obtained in a timely fashion or at all.

#### *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 financial 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. If there is any significant negative change in any of these factors, the Company may experience a material adverse effect on its business, financial condition, operating results and prospects.

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#### *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 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.

#### *Foreign Expansion Efforts and Operations*

The Company's expansion into foreign jurisdictions is subject to additional business risks, including new or unexpected risks or could significantly increase the Company'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. In addition, future 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, staff and regulatory compliance. The failure of the Company's operating infrastructure to support such expansions could result in operational failures and regulatory fines or sanctions. Additionally, there is no guarantee that the Company will be able to realize any of the anticipated benefits of any transactions related to the Company's expansion strategy.

#### *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.

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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 Group, which could disrupt business operations for a significant period of time.

#### *Political Risk*

As mentioned in "Foreign Market Participation" above, 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.

Some foreign markets are prone to higher levels of political risk. Emerging markets tend to have particularly sensitive political and social environments where governments may be capable of wide-sweeping executive actions that may materially impact the local cannabis market or other markets relevant to the Company. Such actions can include without limitation enactment of price controls, trade restrictions, taxes, land and property regulations, and environmental restrictions.

While the Company 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 Company's business, financial condition, operating results and prospects.

#### *Inflation in Emerging Markets*

In the past, high levels of inflation have adversely affected emerging economies and financial markets, and the ability of government to create conditions that stimulate or maintain economic growth. Moreover, governmental measures to curb inflation and speculation about possible future governmental measures have contributed to the negative economic impact of inflation and have created general economic uncertainty.

The emerging markets in which the Group operates or may operate may experience high levels of inflation in the future. Inflationary pressures may weaken investor confidence in such countries and lead to further government intervention in the economy. If countries in which the Group operates experience high levels of inflation in the future and/or price controls are imposed, the Company may not be able to adjust the rates the Group charges its customers to fully offset the impact of inflation on the Company's cost structures, which could cause a material adverse effect on the Company's business, financial condition, results of operations and prospects.

#### *Acquisition or Use of Properties in Foreign Jurisdictions*

Non-resident individuals and non-domiciled foreign legal entities may be subject to restrictions on the acquisition or lease of properties in certain emerging markets. Limitations also apply to legal entities domiciled in such countries that are controlled by foreign investors, such as the entities through which the Group operates in certain countries. Accordingly, the Company's current and future operations may be impaired as a result of such restrictions on the acquisition or use of property, and the Group's ownership or access rights in respect of any property it owns or leases in such jurisdictions may be subject to legal challenges, all of which could result in a material adverse effect on the Company's business, financial condition, results of operations and prospects.

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#### *Risks Inherent in the Agricultural Business*

The Company's business, specifically as it pertains to Adjupharm and the Company's relationship with Focus, involves the growing of medical 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 Focus and Adjupharm 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 of Focus or Adjupharm. Any decline in production by Focus or Adjupharm could have a material adverse effect on the Company's business, operating results or financial condition.

#### *Illegal Market Competition*

As a participant of the cannabis market in international jurisdictions with varying regulations, the Company 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 IMC-branded products without the authorization or endorsement of the Company. If demand for these illegal products increases and local governments fail to regulate markets accordingly, the Company may experience a material adverse effect on its business, operating results and prospects.

#### *Restrictions on Sales and Marketing*

The industry is in its early development stage and restrictions on sales and marketing activities imposed by cannabis regulatory authorities, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations in the jurisdictions in which the Group operates may adversely affect the Group's ability to conduct sales and marketing activities and could have a material adverse effect on the Company's business, operating results, financial condition and prospects.

The Group's success depends on its ability to attract and retain customers. The way medical cannabis is packaged, labelled, and displayed is strictly regulated in the jurisdictions in which the Group operates. For example, advertising related to consumption of cannabis is strictly prohibited in Israel. Such prohibitions may affect the Company's ability to establish brand presence, acquire new customers, retain existing customers and maintain a loyal customer base. This may ultimately have a material adverse effect on the Group's business, financial conditions and operations.

#### *Publicity and Consumer Perception*

The Company 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.

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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 IMC brand and the business, results of operations, financial condition, prospects and the Company's cash flows. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for products bearing the IMC brand, and the business, results of operations, prospects, financial condition and cash flows of the Company.

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.

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## 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, 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 Company'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 protecting the privacy and confidentiality of certain patient health information, including patient records, and employee information, and restricting the collection, use and disclosure of that protected information. 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 applicable privacy laws protecting the privacy and confidentiality of patient health information in the jurisdictions in which it operates, the Group could be subject to sanctions and civil or criminal penalties, 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.

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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.

#### *Risks Inherent in Investments*

The Company is not directly involved in the ownership or operation of and may have limited contractual rights relating to the operations of its current and future investee entities. An investee generally has the power to determine the manner in which its business is developed, expanded and operated, and the Company's interest in an investee is subject to the risks applicable to the business carried on by the investee, and the Company may fail to realize all of the potential benefits from its investments. The interests of the Company and its investees may not always be aligned. As a result, any cash flows of the Company from investees will be dependent upon the activities of the investees, which creates the risk that at any time those investees may: (i) have business interests or targets that are inconsistent with those of the Company; (ii) take action contrary to the Company's policies or objectives; (iii) be unable or unwilling to fulfill their obligations under their agreements with the Company; (iv) experience financial, operational or other difficulties, including insolvency, which could limit or suspend an investee's ability to perform its obligations under agreements with the Company or (v) fail to comply with applicable laws or best practices.

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#### *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 Company's business is subject to Canadian laws, 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 Company's policies mandate compliance with these anti-corruption and anti-bribery laws. However, there can be no assurance that the Company'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.

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In light of the above, the Group makes no assurances regarding any potential costs paid towards intellectual property fees or terms of licenses negotiated.

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 distributors, 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 Listing Requirements*

The Common Shares and Warrants began trading on the CSE on November 5, 2019 and November 19, 2019, respectively. The Company applied to list its Common Shares on NASDAQ on October 8, 2020. There is no assurance that the Company will be successful in its NASDAQ listing application or any subsequent NASDAQ listing applications, if applicable.

In the event that the Company succeeds in its NASDAQ listing application, it will become subject to the rules and regulations of NASDAQ in addition to those of the CSE. Additionally, upon the registration of the Common Shares with the SEC, if at all, the Company will be subject to the reporting requirements of the *United States Exchange Act of 1934*, as amended, and the rules and regulations promulgated thereunder. Further, in order to maintain compliance with all 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 are listed on NASDAQ and/or registered with the SEC. Any changes to rules, regulations policies or guidelines issued by governmental 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 applicable NASDAQ listing standards within any projected timeframes, or at all, and following such listing, maintain listing status on either NASDAQ or CSE. In addition, there is no assurance that the Company will proceed with listing its Common Shares on NASDAQ without any delays or at all and any such decision to proceed with its listing on NASDAQ remains subject to the discretion of management with consideration of the best interests of the Company and future market conditions.

Any failure to comply with applicable listing requirements and restrictions may result in the delisting of the Company's Common Shares from the CSE and/or a rejection of the Company's NASDAQ listing application. Such events, or any decision of the Company to delay or abandon its listing on the NASDAQ, may have material adverse effects on the Company's business and financial condition.

#### *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 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.

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#### *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. As a result, investors may not receive any return on an investment in the Common Shares unless they are able to sell their Common Shares for a price greater than that which such investors paid for them.

#### *Share 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 and competitor activity. In particular, the dual-listing of the Common Shares on the CSE and the NASDAQ, if it occurs, 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.

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### *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. This credit risk can be mitigated by the Group through a number of options including, without limitation, taking collateral, obtaining guarantees, and negotiating credit agreements. 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 Company 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 shares.

Further, global credit and financial markets have displayed arguably increased volatility in response to global events. For instance, since November 30, 2019, the COVID-19 pandemic resulted in governments worldwide enacting emergency measures to combat the spread of COVID-19. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 pandemic are unknown at this time, as is the efficacy of government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the Group's business, financial condition, results of operations and prospects.

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Future crises may be precipitated by any number of causes, including natural disasters, public health crises, geopolitical instability, 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 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 will 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*

The Company derives a significant portion of its revenues from Focus and Adjupharm, which are producers and distributors of products designed to be ingested or inhaled by humans. Such products bearing the IMC brand 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 bearing the IMC brand involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination, unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of medical cannabis products bearing the IMC brand alone or in combination with other medications or substances could occur.

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The Group may be subject to various product liability claims, including, among others, that products bearing the IMC brand 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 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 products bearing the IMC brand.

#### *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, 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. 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 IMC-branded products 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 IMC-branded products whether affected or not and the IMC brand 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 bearing the IMC brand 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.

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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 Company'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 MOH or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

#### *Difficulty in Forecasts*

The Company's sales forecasts are largely dependent on the Company's own market research. There is no assurance pertaining to the accuracy of the Company'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. 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. In addition, liquidity and volatility, credit availability, market and financial conditions and medical 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.

#### *COVID-19*

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.

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 medical cannabis products to its patients and to maintain its balance sheet.

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While the precise impact of the COVID-19 outbreak on the Group remains unknown, rapid spread of COVID-19 and declaration of the outbreak as a global pandemic has 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 the State of Israel, Germany, Canada and around the world and could result in additional precautionary measures that could 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, which could interrupt supplies and other services from third parties upon which the Group relies, decrease demand for products, cause staff shortages, reduced customer traffic, and increased government regulation, all of which may cause a material adverse effect on the business, financial condition and results of operations of the Group.

#### *Focus' Essential Service Designation*

In response to the COVID-19 pandemic, the State of Israel has implemented, from time to time, mandatory shut-downs of non-essential businesses to prevent the spread of COVID-19. As of the date of this Annual Information Form, Focus has been deemed an "essential service", permitting it to continue production. Further public health measures or restrictions may require Focus to shut down or limit its operations in the State of Israel. Any disruptions to the business and operations of Focus in the event that Focus were to lose its designation as an "essential service" in the State of Israel may cause a material adverse effect on the business, financial condition and results of operations of 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.

### **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 be 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.

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## 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 currently 160,155,802 Common Shares issued and outstanding as of the date of this Annual Information Form.

### **Warrants**

In connection with the Reverse Takeover Transaction, a total of 9,730,258 Warrants were issued in exchange for the previously outstanding common share purchase warrants in the capital of a wholly-owned subsidiary of the Company. Each of these Warrants is exercisable by the holder thereof to acquire one Common Share at a price of \$1.30 per Common Share until October 11, 2021.

As at the date of this Annual Information Form, the Company has 9,960,359 Warrants outstanding, including:

- 9,729,258 Warrants exercisable for one Common Share at an exercise price of \$1.30, with such Warrants listed for trading on the CSE; and
- 231,101 Warrants exercisable for one Common Share at an exercise price of \$1.30, with such Warrants issued as a result of exercises of Broker Options and not listed for trading on the CSE.

### **Broker Options**

In connection with the Reverse Takeover Transaction, a total of 1,199,326 Broker Options were issued in exchange for the previously outstanding broker compensation options in the capital of a wholly-owned subsidiary of the Company. Each Broker Option is exercisable by the holder thereof to acquire one unit at an exercise price of \$1.05 per unit until August 30, 2022. Each unit consists of one Common Share and one-half of one Warrant, with each whole Warrant exercisable to acquire one Common Share at a price of \$1.30 until August 30, 2022.

As of the date of this Annual Information Form, the Company has 737,122 Broker Options issued and outstanding.

### **Options**

The Company has a stock option plan, as amended and restated on December 16, 2020 (the **Stock Option Plan**) whereby a rolling maximum of 10% of the issued and outstanding Common Shares (less the number of Common Shares issuable pursuant to all other security based compensation arrangements such as the RSU Plan, as defined below under "*Restricted Share Units*") may be reserved for issuance pursuant to the exercise of Options. The term of the Options granted are fixed by the Board, and are not to exceed 10 years. The exercise prices of the Options are determined by the Board, but shall not be less than the greater of the closing market price of the Common Shares on (a) the trading day prior to the date of grant of the Options; and (b) the date of grant of the Options.

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The Options will vest as determined by the Board at the time of grant, except in a case relating to compensation for performing investor relations activities, in which case the Stock Option Plan requires the Options to vest in stages over 12 months with no more than one quarter of such Options vesting in any three month period. The maximum number of Common Shares reserved for issuance, pursuant to the Stock Option Plan and any other security based compensation arrangement of the Company, to (i) any one individual, in any 12 month period, is 5% of the total number of Common Shares then outstanding, unless approved by the disinterested shareholders; (ii) insiders (as a group), within a 12 month period, is 10% of the total number of Common Shares then outstanding, unless the Stock Option Plan approved by the disinterested shareholders; (iii) all investor relations persons, in a 12 month period, is 1% of the total number of Common Shares then outstanding; or (iv) any one consultant, in any 12 month period, is 2% of the total number of Common Shares then outstanding.

The Stock Option Plan was last approved by shareholders on December 16, 2020 and contains provisions for adjustment in the number of shares issuable thereunder in the event of a subdivision, consolidation, reclassification or change in the Common Shares, a merger or other relevant changes in the Company's capitalization. The Board may from time to time amend or reverse the terms of the Stock Option Plan or may terminate the Stock Option Plan at any time.

As at the date of this Annual Information Form, the Company had 11,317,566 Options outstanding with the material terms listed below.

Stock Option Grants			
Date of Grant	Number of Options	Exercise Price	Expiry Date
October 11, 2019	3,169,900	\$0.40	January 4, 2029
October 11, 2019	4,120,000	\$0.40	September 11, 2029
October 11, 2019	200,000	\$0.40	February 3, 2029
October 11, 2019	250,000	\$0.40	April 7, 2029
October 11, 2019	10,000	\$0.40	May 13, 2029
October 11, 2019	290,000	\$0.40	August 11, 2029
October 11, 2019	150,000	\$0.40	July 30, 2029
October 11, 2019	16,000	\$1.05	October 9, 2022
October 11, 2019	350,000	\$1.05	October 11, 2029
June 9, 2020	2,526,666	\$1.00	June 9, 2025
July 17, 2020	55,000	\$1.45	July 17, 2025
October 23, 2020	115,000	\$1.78	October 23, 2025
December 15, 2020	65,000	\$2.14	December 15, 2025
<b>Total</b>	<b>11,317,566</b>		

#### **Restricted Share Units**

On December 16, 2020, the Company's shareholders approved a restricted share unit plan ("**RSU Plan**") whereby the Company may issue restricted share units (each an "**RSU**") subject to a rolling maximum of 10% of the issued and outstanding Common Shares (less the number of Common Shares issuable pursuant to all other security based compensation arrangements such as the Stock Option Plan) that may be reserved for issuance pursuant to the exercise the RSUs. The RSU Plan supplements the Stock Option Plan by providing the Board with an alternative to issuing Options if, in the future, it determines that a full value share plan provides an attractive form of long-term incentive for key personnel provided that the aggregate Common Share issuances under the Stock Option Plan and RSU Plan combined does not exceed 10% of the Common Shares issued and outstanding (on a rolling basis).

The purpose of the RSU Plan is to provide a financial incentive for eligible employees, directors and consultants of the Company or an affiliate of the company to devote their best efforts to the long-term success of the Company's business, by aligning such participants' financial interests with those of the Company, to assist the Company in attracting and retaining individuals with top-level talent, passion and ability and to ensure that the total compensation provided to such eligible participants is at competitive levels.

RSUs will vest in such manner as determined by the Board or compensation committee of the Board at the time of grant. The maximum number of Common Shares reserved for issuance, pursuant to the RSU Plan and any other security based compensation arrangement of the Company, to (i) any one person, in a 12 month period, is 5% of the total number of Common Shares then outstanding, unless permitted by the CSE or approved by disinterested shareholders; (ii) insiders (as a group), at any time, is 10% of the total number of Common Shares then outstanding, unless permitted by the CSE or approved by disinterested shareholders; (iii) all investor relations persons, in a 12 month period, is 1% of the total number of Common Shares then outstanding; or (iv) any one consultant, in a 12 month period, is 1% of the total number of Common Shares then outstanding.

As of the date of this Annual Information Form, the Company has not issued any RSUs.

## MARKET FOR SECURITIES

### Trading Price and Volume

#### *Common Shares*

The Common Shares have been listed for trading on the CSE under the symbol "IMCC" since November 5, 2019, following the completion of the Reverse Takeover Transaction. The Common Shares previously traded on the TSXV under the symbol "NAV.H" until their delisting from the TSXV on June 18, 2018. The Common Shares did not trade on any other marketplace until their listing on the CSE. The chart below sets out the monthly trading history of the Common Shares on the CSE from the listing date of November 5, 2019 until the end of the financial year ended December 31, 2019.

Common Share Historic Trading Prices and Volumes			
Month	High	Low	Share Volume
December 2019	\$0.42	\$0.25	2,852,674
November 2019	\$0.75	\$0.35	3,421,090

#### *Warrants*

The Warrants are listed for trading on the Canadian Securities Exchange 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 Warrants from their listing date of November 19, 2019 on the CSE until the end of the financial year ended December 31, 2019.

Warrants Historic Trading Prices and Volumes			
Month	High	Low	Share Volume
December 2019	Nil	Nil	Nil
November 2019	Nil	Nil	Nil

## 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, 2019. 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	Number of Securities
October 11, 2019	Options <sup>(1)</sup>	\$1.05	50,000
October 11, 2019	Broker Options <sup>(2)</sup>	\$0.40	1,286,520
October 11, 2019	Broker Options <sup>(3)</sup>	\$1.05	1,199,326
October 11, 2019	Options <sup>(4)</sup>	\$0.40	12,250,000
October 11, 2019	Options <sup>(5)</sup>	\$1.05	350,000

### Notes:

- (1) The Company issued 25,000 Options to each of Navjit Dhaliwal and Balu Gopalakrishnan, both then directors of the Company, in exchange for previously outstanding options of the Company, before the Reverse Takeover Transaction, upon completion of the Reverse Takeover Transaction. Each Option is exercisable for one Common Share at an exercise price of \$1.05 for a period of three (3) years. As of the date of this Annual Information Form, all of the 25,000 Options issued to Navjit Dhaliwal and 9,000 of the 25,000 Options issued to Balu Gopalakrishnan have been exercised.
- (2) The Company issued an aggregate of 1,286,520 Broker Options in exchange for previously outstanding broker compensation options of IMC Holdings upon completion of the Reverse Takeover Transaction. As of the date of this Annual Information Form, these Broker Options have either expired or been exercised.
- (3) The Company issued an aggregate of 1,199,326 Broker Options in exchange for the previously outstanding broker compensation options of a wholly-owned subsidiary of the Company upon the completion of the Reverse Takeover Transaction. As of the date of this Annual Information Form, 737,122 of these Broker Options remain outstanding.
- (4) The Company issued an aggregate of 12,250,000 Options in exchange for previously outstanding options of IMC Holdings upon completion of the Reverse Takeover Transaction. As of the date of this Annual Information Form, 8,189,900 of these Options remain outstanding.
- (5) The Company issued 350,000 Options to LodeRock Advisors Inc. in exchange for investor relations services pursuant to an investor relations agreement. As of the date of this Annual Information Form, 350,000 of these Options remain outstanding.

### ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

As of the date of this Annual Information Form, 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 <sup>(1)(2)(3)</sup>
Oren Shuster <sup>(4)(7)</sup> <i>Ra'anana, Israel</i>	Chief Executive Officer and Director since October 2019	CEO of IMC Holdings since 2008; Co-CEO of Ewave Group Ltd. since 1999.	36,540,549 <sup>8</sup> (22.82%)
Shai Shemesh <i>Petach-Tikva, Israel</i>	Chief Financial Officer since October 2019	CFO of IMC Holdings since 2019; CFO of Sadyt Israel and IVM Minrav-Sadyt from 2011 to 2019.	47,619 (<1%)
Yael Harrosh <i>Tel Aviv, Israel</i>	General Counsel and Corporate Secretary since October 2019	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
Rafael Gabay <i>Ganot, Israel</i>	Director since March 2020	Chairman and Co-CEO of Ewave Group Ltd. since 1999.	32,538,979 <sup>8</sup> (20.32%)
Vivian Bercovici <sup>(4)(6)(7)</sup> <i>Ontario, Canada</i>	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.	Nil
Steven Mintz <sup>(4)(5)(6)</sup> <i>Ontario, Canada</i>	Director since October 2019	President of St. Germain Capital Corp. since 1998; Principal and CFO of Minkids Group since 2015.	1,096,348 (<1%)
Marc Lustig <sup>(6)(7)</sup> <i>West Vancouver, British Columbia</i>	Director since October 2019, Executive Chairman since December 2020 and Chairman from October 2019 to December 2020	Director of Pharmaciolo 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;	1,362,713 (<1%)

**Notes:**

- (1) Assumes 160,155,802 Common Shares issued and outstanding.
- (2) Does not include the 22,383,608 Common Shares issuable on the full exercise of 11,317,566 outstanding Options, 9,960,359 outstanding Warrants and 737,122 outstanding Broker Options, including the 368,561 Common Shares issuable upon exercise of the underlying Warrants issued upon exercise of such Broker 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 71,580,068 Common Shares of the Company, representing 44.69% of the Company's outstanding Common Shares.
- (4) Member of the Audit Committee.
- (5) 673,235 shares held directly by Steven Mintz; 180,000 shares held by 1567953 Ontario Inc., an entity of which The Steven and Heather Mintz Family Trust own 25%; and 243,113 shares held by Heather Mintz, the spouse of Steven Mintz.
- (6) Member of the Compensation Committee.

- (7) Member of the Governance and Nomination Committee.
- (8) 36,534,409 shares and 32,532,839 shares are held directly by Oren Shuster and Rafael Gabay, respectively, and 6,140 shares are held by Ewave Group Ltd., an entity of which Mr. Shuster and Mr. Gabay each own and control 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.
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### **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 director of the Company, may be considered to be promoters because they took the initiative in founding and organizing the business of IMC Holdings prior to the Reverse Takeover Transaction. Mr. Shuster is a resident of Ra'anana, Israel and controls 36,540,549 Common Shares, representing 22.82% of the issued and outstanding Common Shares on a non-diluted basis. Mr. Gabay is a resident of Ganot, Israel and controls 32,538,979 Common Shares, representing 20.32% of the issued and outstanding Common Shares on a non-diluted basis. 36,534,409 Common Shares and 32,532,839 Common Shares are held directly by Oren Shuster and Rafael Gabay, respectively, and 6,140 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 Option Agreements 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*

On August 19, 2019, a motion was filed for approval of a class action (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. Prehearing is set for July 14, 2021.

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As of the date of this Annual Information Form, based on the current preliminary state of the litigation process, 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 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, disproportionately, 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, that his 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.

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On December 10, 2020, the court issued a decision pursuant to which the respondents represented by the state attorney's office must file an update by February 11, 2021, in relation to the notice to the court regarding the medical cannabis products price-levels.

As of the date of this Annual Information Form, based on the current preliminary stage of the litigation process, the Company's management believes that it is not reasonably possible to assess the outcome of the proceeding.

*Class Action T.Z. 31805-10-19*

On October 30, 2019, Focus was served with a motion for approval of a class action against it, the Medical Cannabis Unit of the MOH, and five other companies related to the cannabis market in Israel. The motion was filed in connection to a stopping of supplies of medical cannabis by way of direct supply. The legal causes alleged in the motion are the following: discrimination in violation of the Equal Rights for Persons with Disabilities Act, 1988 and a restrictive arrangement contrary to the Economic Competition Law, 1988. The motion argues that the class action group incurred damages in the amount of NIS 656,000,000. On November 11, 2020, Focus submitted its response to the motion and pre-hearing was scheduled for March 21, 2021.

As of the date of this Annual Information Form, based on the current preliminary stage of the litigation process, the Company's management believes that it is not reasonably possible to assess the outcome of the proceeding.

*Class Action T.Z. 8394-11-16*

On November 3, 2016, a motion was filed for approval of a class action against Focus and seven other Israeli cannabis growers (collectively, the **'Growers'**), for: (1) alleged use of chemical pesticides in the cannabis growing process, in contradiction to the Plant Protection Regulations (Compliance with Packaging Label Instructions) (the **"Label Regulations"**) and to the Protection of Public Health Regulations (Food) (Residues of Pesticides) (the **'Residues Regulations'**), and the misleading of their customers, thus violating the Consumer Protection Law; (2) selling cannabis product with lower concentration of active ingredients than publicized; and (3) marketing products in defective packaging - allegedly causing violation of autonomy and unjust enrichment. The personal suit sum for every class member stands at NIS 5,000. The total amount of the class action suit is estimated at NIS 133,000,000.

The Growers argued in their response that the threshold conditions for approval of a class action were not met, and that they did not violate the Label Regulations and the Residues Regulations. The Growers also argued that they are not liable for any civil wrongdoing, nor did they mislead users regarding usage of pesticides, or had any legal duty regarding cannabis packaging beyond MOH guidance and therefore did not breach any statutory duty. Additionally, the defense argues that there is no base for an unjust enrichment claim.

On September 6, 2018, the MOH and Israel's Ministry of Agriculture submitted their official opinion to the court. The second preliminary hearing took place on October 29, 2018. In an evidentiary hearing held on September 9, 2019, the petitioners and the Growers testified and it was decided to remove the plaintiffs' second and last expert opinion from the motion. On December 31, 2019, the applicants submitted their summaries. On April 23, 2020, the Growers submitted their summaries to the Motion. On May 3, 2020, the applicants submitted their response to the Growers summaries.

On January 4, 2020, the motion for the approval of the class action was denied by the court, which determined that the applicants had not proved an evidentiary basis for the motion.

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### **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, 2019, April 30, 2019, April 30, 2018 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.

### **TRANSFER AGENTS AND REGISTRARS**

The transfer agent and registrar for the Common Shares and warrant agent for the Warrants is Computershare Investor Services Inc., located at 100 University Avenue, 8<sup>th</sup> Floor, Toronto, ON M5J 2Y1.

### **MATERIAL CONTRACTS**

Except for contracts entered into in the ordinary course of business, as disclosed below or as otherwise disclosed herein, no material contracts were entered into by the Company during the financial year ended December 31, 2019 that are still in effect, nor are any material contracts in effect that were entered into prior to the beginning of the financial year ended December 31, 2019.

- the amended and restated business combination agreement dated September 3, 2019 between IMC Holdings, the Company, and Navasota Acquisition Ltd. entered into in connection with the Reverse Takeover Transaction;
  - the agency agreement dated August 30, 2019 between IM Cannabis (Finance) Ltd., IMC Holdings, the Company, Cormark Securities Inc., Canaccord Genuity Corp., First Republic Capital Corp., Haywood Securities Inc. and Mackie Research Capital Corporation entered into in connection with the brokered portion of the private placement offering of Subscription Receipts;
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- the subscription receipt agreement dated August 30, 2019 between IM Cannabis (Finance) Ltd., IMC Holdings, the Company, Computershare Trust Company of Canada and Cormark Securities Inc. entered into in connection with the private placement offering of Subscription Receipts;
- the warrant indenture dated August 30, 2019 between the Company and Computershare Trust Company of Canada entered into in connection with the issuance of Warrants in connection with the Reverse Takeover Transaction; and
- the supplemental warrant indenture dated August 30, 2019 between the Company and Computershare Trust Company of Canada with respect to the re-issuance of Warrants entered into in connection with the Reverse Takeover Transaction.

Copies of the above material contracts are available on the Company's SEDAR profile at [www.sedar.com](http://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 National Instrument 51-102 - *Continuous Disclosure Obligations* by the Company during, or relating to, the financial year ended December 31, 2019, and whose profession or business gives authority to the statement, report, valuation, or opinion made by the person or company:

Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, is the Company's independent auditor and prepared an independent audit report dated April 20, 2020 in respect of the Company's audited consolidated financial statements as at December 31, 2019.

### Interests of Experts

Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

## 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 Oren Shuster, Vivian Bercovici and Steven Mintz (Chair), of whom Vivian Bercovici is "independent", and all of whom are "financially literate" as such terms are defined in National Instrument 52-110 - *Audit Committees*. Oren Shuster is not independent by virtue of serving as the chief executive officer of the Company and Steven Mintz is not independent by virtue of having served as the Chief Executive Officer and the Chief Financial Officer of the Company in the last three years. The Board has determined that the Company will rely on Part 6 of National Instrument 52-110 - *Audit Committees* requiring that a majority of the members of an audit committee of a venture issuer must not be executive officers, employees or control persons of the venture issuer or of an affiliate of the venture issuer.

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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**

##### *Oren Shuster*

Mr. Shuster is a leading figure in the medical cannabis industry in Israel, with more than two decades of proven entrepreneurial experience in founding and growing companies in the med-tech, technology and software industries where healthcare, patient care, technology and innovation intersect. Mr. Shuster is the co-founder of IMC Holdings. Mr. Shuster is also the co-founder of E-wave, an international software house that employs more than 1,000 experienced software professionals, operating in the USA, Europe, Brazil, India and Israel. Oren holds a Bachelor of Arts in business management and economics from Tel-Aviv University.

##### *Steven Mintz*

Mr. Mintz, C.P.A., is a financial consultant in a variety of industries including mining, oil and gas, real estate and cannabis. He is currently President of St. Germain Capital Corp. a private consulting and investment firm as well as Principal and CFO of the Minkids Group, a family investment and real estate development company since 2015. Mr. Mintz's experience spans a variety of financial and management areas of expertise from accounting in large firms to bankruptcy and insolvency. Mr. Mintz obtained his Chartered Accountant designation in 1992 and Trustee in Bankruptcy license in 1995. Mr. Mintz is currently a director of several public companies.

##### *Vivian Bercovici*

Ms. Bercovici is currently a consultant to various medical cannabis and medical device entities regarding operational issues and market opportunities in Israel, Europe and Canada. Previously, 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.

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**Audit Committee Oversight**

At no time since the commencement of the financial year ended December 31, 2019 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, 2019 has the Company relied on the exemption in:

- (a) Section 2.4 of NI 52-110 (De Minimis Non-audit Services);
- (b) Subsection 6.1.1(4) of NI 52-110 (Circumstances Affecting the Business or Operations of the Venture Issuer);
- (c) Subsection 6.1.1(5) of NI 52-110 (Events Outside Control of Member);
- (d) Subsection 6.1.1(6) of NI 52-110 (Death, Incapacity or Resignation); or
- (e) an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

The Company is relying on the exemption provided in Section 6.1 of NI 52-110 as the Company is a "venture issuer". As a result, the Company is exempt from the requirements of Part 3 (Composition of Audit Committee) and Part 5 (Reporting Obligations) 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*

Jackson and Company, Chartered Accountants served as the Company's external auditors between February 1, 2017 and January 21, 2019. Dale Matheson Carr-Hilton Labonte LLP served as the Company's external auditors between January 21, 2019 and January 16, 2020 and was immediately succeeded by Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global. The following table lists the aggregate fees paid or payable to all external auditors, by category, for the financial years ended December 31, 2019 and April 30, 2019:

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	December 31, 2019 <sup>(1)</sup>	April 30, 2019 <sup>(1)</sup>
Audit fees <sup>(2)</sup>	\$120,168	\$10,680
Audit-related fees <sup>(3)</sup>	-	-
Tax fees <sup>(4)</sup>	-	-
All other fees <sup>(5)</sup>	-	-
<b>Total fees</b>	<b>\$120,168</b>	<b>\$10,680</b>

**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.

**ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://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 March 16, 2020. Additional information is also provided in the Company's financial statements and MD&A for the financial year ended December 31, 2019.



## **SCHEDULE "A"**

### **IM CANNABIS CORP. (formerly NAVASOTA RESOURCES INC.)**

#### **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:

- the integrity, adequacy and timeliness of the Company's financial reporting and disclosure practices;
- the Company's compliance with legal and regulatory requirements related to financial reporting; and
- the independence and performance of the Company's independent auditor.

The Committee shall also perform any other activities consistent with this Charter, the Company's articles and governing laws as the Committee or Board deems necessary or appropriate.

The Committee shall consist of at least three directors. Members of the Committee shall be appointed by the Board and may be removed by the Board in its discretion. The members of the Committee shall elect a Chairman from among themselves. The quorum for a meeting of the Committee is a majority of the members who are not officers, control persons or employees of the Company or of an affiliate of the Company. With the exception of the foregoing quorum requirement, the Committee may determine its own procedures.

The Committee's role is one of oversight. 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 and regulations.

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.

#### **AUTHORITY AND RESPONSIBILITIES**

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

1. Monitor the adequacy of this Charter and recommend any proposed changes to the Board.
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2. Review the appointments of the Company's Chief Financial Officer and any other key financial executives involved in the financial reporting process.
  3. 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.
  4. 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.
  5. 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.
  6. 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.
  7. 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.
  8. Review with management and the independent auditor significant related party transactions and potential conflicts of interest.
  9. Pre-approve all non-audit services to be provided to the Company by the independent auditor.
  10. 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.
  11. 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.
  12. Conduct or authorize investigations into any matters that the Committee believes is within the scope of its responsibilities. The Committee has the authority to retain independent counsel, accountants or other advisors to assist it, as it considers necessary, to carry out its duties, and to set and pay the compensation of such advisors at the expense of the Company.
  13. Perform such other functions and exercise such other powers as are prescribed from time to time for the audit committee of a reporting issuer pursuant to National Instrument 52-110, the **Business Corporations Act** (British Columbia) and the articles of the Company.
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**FORM 52-109F1 - AIF**  
**CERTIFICATION OF ANNUAL FILINGS**  
**IN CONNECTION WITH VOLUNTARILY FILED AIF**

This certificate is being filed on the same date that IM Cannabis Corp. (the "issuer") has voluntarily filed an AIF.

I, Shai Shemesh, Chief Financial Officer, of IM Cannabis Corp., certify the following:

1. **Review:** I have reviewed the AIF, annual financial statements and annual MD&A, including for greater certainty all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of the issuer for the financial year ended December 31, 2019.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

Date: January 29, 2021.

"Shai Shemesh"  
Shai Shemesh  
Chief Financial Officer

**NOTE TO READER**

In contrast to the usual certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), namely, Form 52-109F1, this Form 52-109F1 - IPO/RTO does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of an issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 in the first financial period following

- completion of the issuer's initial public offering in the circumstances described in s. 4.3 of NI 52-109;
- completion of a reverse takeover in the circumstances described in s. 4.4 of NI 52-109; or

- the issuer becoming a non-venture issuer in the circumstances described in s. 4.5 of NI 52-109;

may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

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**FORM 52-109F1 - AIF**  
**CERTIFICATION OF ANNUAL FILINGS**  
**IN CONNECTION WITH VOLUNTARILY FILED AIF**

This certificate is being filed on the same date that IM Cannabis Corp. (the "issuer") has voluntarily filed an AIF.

I, Oren Shuster, Chief Executive Officer, of IM Cannabis Corp., certify the following:

1. **Review:** I have reviewed the AIF, annual financial statements and annual MD&A, including for greater certainty all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of the issuer for the financial year ended December 31, 2019.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

Date: January 29, 2021.

"Oren Shuster"

Oren Shuster

Chief Executive Officer

**NOTE TO READER**

In contrast to the usual certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), namely, Form 52-109F1, this Form 52-109F1 - IPO/RTO does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of an issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 in the first financial period following

- completion of the issuer's initial public offering in the circumstances described in s. 4.3 of NI 52-109;
- completion of a reverse takeover in the circumstances described in s. 4.4 of NI 52-109; or

- the issuer becoming a non-venture issuer in the circumstances described in s. 4.5 of NI 52-109;

may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

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**Notice Declaring Intention to be  
Qualified under  
National Instrument 44-101  
Short Form Prospectus Distributions  
("NI 44-101")**

January 29, 2021

To: British Columbia Securities Commission

And to: Ontario Securities Commission  
Alberta Securities Commission

IM Cannabis Corp. (the "**Issuer**") intends to be qualified to file a short form prospectus under NI 44-101. The Issuer acknowledges that it must satisfy all applicable qualification criteria prior to filing a preliminary short form prospectus. This notice does not evidence the Issuer's intent to file a short form prospectus, to enter into any particular financing or transaction or to become a reporting issuer in any jurisdiction. This notice will remain in effect until withdrawn by the Issuer.

**IM Cannabis Corp.**

By: "Oren Shuster"  
Oren Shuster  
Chief Executive Officer and Director

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#### IMC Announces Details of Share Consolidation to Meet NASDAQ Capital Market Listing Requirement

- 4:1 share consolidation to begin trading on February 12, 2021
- NASDAQ Capital Market listing expected in Q1 2021 under ticker symbol IMCC

**Toronto, Canada; Gili Yam, Israel - February 10, 2021** - IM Cannabis Corp. (the "**Company**" or "**IMC**") (CSE:IMCC), a multi-country operator ("**MCO**") in the medical cannabis sector with operations in Israel and Germany, is pleased to announce that, further to its press release dated December 17, 2020, it will be consolidating all of its issued and outstanding common shares ("**Common Shares**") on the basis of one (1) post-consolidation Common Share for each four (4) pre-consolidation Common Shares (the "**Share Consolidation**"). The Share Consolidation represents another step towards the listing of the Common Shares on the NASDAQ Capital Market ("**NASDAQ**") by meeting the minimum share price requirement set by NASDAQ and follows confirmation from The Depository Trust Company ("**DTC**") that its Common Shares are now eligible for electronic clearing and settlement through DTC in the United States, as announced on January 26, 2021.

"We believe our efforts to finalize listing on NASDAQ are on track, and the timing is opportune," said Oren Shuster, Chief Executive Officer of IMC. "In light of positive developments for the medical cannabis industry around the world and the anticipated closing of the Trichome Financial Corp. ("**Trichome**") acquisition by IMC in the coming months, we look forward to bringing our strategy forward in one of the largest capital markets in the world."

A successful listing on NASDAQ is subject to satisfaction of all applicable listing and regulatory requirements, including, but not limited to, registration of the Common Shares with the United States Securities and Exchange Commission (the "**SEC**") and satisfaction of the NASDAQ listing requirements. Following receipt of all required approvals, the Company will issue a press release announcing its first trading date on NASDAQ.

#### Share Consolidation Details

The Company's board of directors approved the Share Consolidation and it is expected that the Common Shares will commence trading on a post-Share Consolidation basis on the Canadian Securities Exchange (the "**CSE**") on or about February 12, 2021.

Assuming the Share Consolidation is completed, the existing 160,245,457 Common Shares will be reduced to approximately 40,061,364 Common Shares, subject to adjustments for rounding purposes. No fractional shares will be issued. Any fractional interest in Common Shares that is less than 0.5 of a Common Share resulting from the Share Consolidation will be rounded down to the nearest whole Common Share and any fractional interest in Common Shares that is 0.5 or greater of a Common Share will be rounded up to the nearest whole Common Share.

There are currently 9,729,258 common share purchase warrants ("**Warrants**") listed for trading on the CSE, each exercisable at \$1.30 per Warrant for one Common Share. Following the Share Consolidation, the number of listed Warrants outstanding will not be altered; however, the exercise terms will be adjusted in accordance with the terms of the warrant indenture dated August 30, 2019, as supplemented on November 14, 2019, such that four Warrants will be exercisable for one Common Share following the payment of an adjusted exercise price of \$5.20.

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The Share Consolidation was approved by holders of Common Shares at the Company's special meeting held on December 16, 2020. The Share Consolidation is subject to acceptance by the CSE.

Upon completion of the Share Consolidation, a letter of transmittal will be sent by mail to registered shareholders advising that the Share Consolidation has taken effect. The letter of transmittal will contain instructions on how registered shareholders can exchange their share certificates or Direct Registration System ("**DRS**") statements evidencing their pre-consolidation Common Shares for new share certificates or new DRS statements representing the number of post-consolidation Common Shares to which they are entitled.

Beneficial shareholders holding their Common Shares through an intermediary may be subject to different procedures for obtaining their post-consolidation Shares. If you have questions in this regard, you are encouraged to contact your intermediary.

The Company does not intend to change its name or seek a new stock trading symbol in connection with the Share Consolidation.

#### **Change in Supply Agreement**

On April 27, 2020, IMC announced that Focus Medical Herbs Ltd. ("**Focus Medical**") signed a supply agreement to purchase up to a total of 8,060 kg of medical cannabis between 2020 and 2023 (the "**Supply Agreement**"). Focus Medical and the relevant supplier mutually decided to amend the Supply Agreement to reflect the supply of only three harvests of medical cannabis to Focus Medical (the "**Amendment Agreement**"). Following this change, approximately 570 kg of medical cannabis is to be provided to Focus Medical by the supplier in Q1 2021. Upon payment for all three harvests, subject to the terms and conditions of the Amendment Agreement, the Supply Agreement will be terminated. The supplier operates with IMC-GAP certification and all strains cultivated under the Supply Agreement and the Amendment Agreement are proprietary to Focus Medical.

#### **About IM Cannabis Corp.**

IMC is an MCO in the medical cannabis sector headquartered in Israel and with operations in Israel and Germany. Over the past decade, the Company believes that the IMC brand has become synonymous with quality and consistency in the Israeli medical cannabis market. The Company has also expanded its business to offer intellectual property-related services to the medical cannabis industry.

In Europe, IMC operates through Adjupharm GmbH ("**Adjupharm**"), a German-based subsidiary and EU-GMP certified medical cannabis distributor. IMC's European presence is augmented by strategic alliances with various pan-European EU-GMP cultivators and distributors to capitalize on the increased demand for medical cannabis products in Europe and bring the IMC brand and its product portfolio to European patients.

#### **About Focus Medical Herbs Ltd.**

Focus Medical is one of eight original licensed producers of medical cannabis in Israel and has over 10 years of experience growing high quality medical cannabis in the Israeli market. Focus Medical is an "investee" of the Company under International Financial Reporting Standards 10 ("**IFRS 10**") due to the Company's "de facto control" over Focus Medical despite not having any direct or indirect ownership of it. Focus Medical has an exclusive commercial agreement with IMC to distribute its production under the IMC brand. In addition to its own capacity, Focus Medical has supply agreements with six other cultivators for additional supply using its proprietary genetics and for sale under the IMC brand.

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### ***Disclaimer for Forward-Looking Statements***

This press release contains "forward-looking information" within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "likely" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. Forward-looking information in this press release includes, without limitation, statements relating to the timing, terms and completion of the Share Consolidation, including the ratio of pre-consolidation Common Shares to post-consolidation Common Shares that will be effected, non-issuance of fractional shares, adjusted exercise terms of Warrants post-Share Consolidation, contents and delivery of the letter of transmittal following completion of the Share Consolidation, and the CUSIP and ISIN of Common Shares and Warrants following the completion of the Share Consolidation; timing for the commencement of trading on the CSE following the completion of the Share Consolidation; timing on the approval of the listing of the Common Shares on the NASDAQ; the listing of the Common Shares on NASDAQ; the completion of the acquisition of Trichome and any associated impact of such acquisition; additional merger and acquisition opportunities; any change regarding the Company's name or stock trading symbol on the CSE; the terms of the Supply Agreement, as amended, including the adjusted supply of medical cannabis and the termination of the Supply Agreement and the Company's business and strategic plans.

Forward-looking information is based on assumptions that may prove to be incorrect, including but not limited to the ability of the Company to execute its business plan, the continued growth of the medical cannabis market in the countries in which the Company operates or intends to operate, the Company maintaining "de facto control" over Focus Medical in accordance with IFRS 10, Focus Medical maintaining its existing Israeli medical cannabis propagation and cultivation licenses and the expected decriminalization and/or legalization of recreational cannabis in Israel. The Company considers these assumptions to be reasonable in the circumstances. However, forward-looking information is subject to business and economic risks and uncertainties and other factors that could cause actual results of operations to differ materially from those expressed or implied in the forward-looking information. Such risks include, without limitation: the failure of the Company and Trichome to complete the proposed acquisition of Trichome or obtain any requisite corporate, regulatory and court approvals in respect of the acquisition in a timely manner or at all; a resurgence in the cases of COVID-19, which has occurred in certain locations and the possibility of which in other locations remains high and creates ongoing uncertainty that could result in restrictions to contain the virus being re-imposed or imposed on a more strict basis, including restrictions on movement and businesses; the extent to which COVID-19 impacts the global economy; the success of new COVID-19 workplace policies and the ability of people to return to workplaces; the Israeli government deciding to delay or abandon the decriminalization and/or legalization of adult-use recreational cannabis; any bill relating to the decriminalization and/or legalization of adult-use recreational cannabis in Israel being rejected by Israeli parliament; any change in the political environment which would negatively affect the decriminalization and/or legalization of recreational cannabis in Israel; engaging in activities considered illegal under United States federal law; the ability of the Company to comply with applicable government regulations in a highly regulated industry; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel, Germany or any other foreign jurisdictions in which the Company intends to operate; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of adult-use recreational cannabis in Canada; any failure of the Company to maintain "de facto control" over Focus Medical in accordance with IFRS 10; the Company and Focus Medical having to rely on third party cannabis producers to supply Adjupharm and Focus Medical with product to successfully fulfill previously announced sales agreements and purchase commitments; the ability of Focus Medical and Adjupharm to deliver on their sales commitments; the risk that regulatory authorities in Israel may view the Company as the deemed owner of more than 5% of Focus Medical in contravention to Israeli rules restricting the ownership of Israeli cannabis cultivators and thereby jeopardizing Focus Medical's cannabis propagation or cultivation licenses; unexpected disruptions to the operations and businesses of the Company and/or Focus Medical as a result of the COVID-19 global pandemic or other disease outbreaks including in the event that Focus Medical were to lose its designation as an essential service in the State of Israel during the current COVID-19 outbreak; any unexpected failure of Focus Medical to renew its propagation or cultivation licenses with the Israeli Ministry of Health; any unexpected failure of Focus Medical to maintain any of its commercial facilities or land lease agreements; any unexpected failure of Adjupharm to renew its production, wholesale, narcotics handling or import/export licenses, permits, certificates or approvals; the Company's reliance on management; the lack of additional merger and acquisition opportunities; inconsistent public opinion and perception regarding the use of cannabis; perceived effects of medical cannabis products; the Company's ability to maintain or improve the brand position of the IMC brand in Israel's medical cannabis market; political instability and conflict in the Middle East; adverse market conditions; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; costs of inputs; crop failures; litigation; currency fluctuations; competition; industry consolidation; failure to meet NASDAQ listing requirements; failure to obtain effectiveness of a registration statement filed with the SEC; delays in the NASDAQ or SEC review of the Company's listing application or registration of securities with the SEC, including but not limited to delays relating to COVID-19; the Company's NASDAQ listing application being unsuccessful; the Company's inability to capture the benefits associated with a successful acquisition of Trichome and loss of key management and/or employees.

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The Company does not undertake any obligation to update forward-looking statements except as required by applicable securities laws. Readers should not place undue reliance on forward-looking statements.

**For more information:**

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Media Relations  
+1 647-259-3261  
[gal.wilder@cohnwolfe.ca](mailto:gal.wilder@cohnwolfe.ca)

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FORM 7

**MONTHLY PROGRESS REPORT**

Name of Listed Issuer: IM Cannabis Corp. (the "Issuer").  
Trading Symbol: IMCC

Number of Outstanding Listed Securities:

145,743,283 Common Shares, 9,730,258 Warrants

Date: January 8, 2020

**Report on Business**

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.
  - **On December 10, 2019 the Issuer hosted a live webcast, in which investors were invited to ask the Issuer's CEO questions in real time.**
  - **The Issuer entered into a share purchase agreement dated December 26, 2019 with Xintenza API Ltd. ("Xintenza") whereby the Issuer will acquire 25% of Xintenza's outstanding common shares for cash consideration of up to US\$1.7 million. The Issuer will work with Xintenza to develop innovative biosynthesis technology based on research from the Weizmann Institute of Science. On December 10, 2019 the Issuer hosted a live webcast, in which investors were invited to ask the Issuer's CEO questions in real time.**
2. Provide a general overview and discussion of the activities of management.

**Management of the Issuer remains focused on identifying new strategic investments and growth opportunities in Israel and Europe, including but not limited to securing German and European supply and distribution agreements.**
3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

**Not applicable**

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

**Not Applicable**

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

**The Issuer acquired 25% of the outstanding share capital of Xintenza, as outlined in Item 1.**

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

**The Issuer has terminated its agreement with Grit Capital Advisory Inc., which had provided marketing services to the Issuer since September 2019.**

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

**The Issuer acquired 25% of the outstanding share capital of Xintenza, as outlined in Item 1. Xintenza is not a Related Person of the Issuer.**

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

**Not Applicable**

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

**Not Applicable**

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

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- **The Issuer appointed Yaron Berger as the new Chief Executive Officer of the Israeli Operation of I.M.C. Holdings Ltd., a wholly owned Israeli subsidiary of the Issuer.**
- **The Issuer appointed a new corporate financial controller**

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

**Not Applicable**

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

**None. On December 18, 2019, the Issuer released an update on certain proceedings involving Focus Medical Herbs Ltd. ("Focus Medical"), a licensed producer in Israel with which the Issuer has certain commercial agreements. A summary of this update can be found in Item 17 of this report.**

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

**Not Applicable**

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

**No issuances of options or warrants were made by the issuer in December 2019.**

Security	Number Issued	Details of Issuance	Use of Proceeds <sup>(1)</sup>

*(1) State aggregate proceeds and intended allocation of proceeds.*

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

**None**

#### **FORM 7 – MONTHLY PROGRESS REPORT**

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

**As noted in Item 10, Yaron Berger was appointed as Chief Executive Officer of the Israeli Operation of I.M.C. Holdings Ltd., a wholly owned Israeli subsidiary of the Issuer.**

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

**On December 18, the Issuer published an update on an interim order recently issued by the Israeli High Court of Justice (the "High Court") (the "Interim Order") requiring medical cannabis cultivators and production companies in Israel to extend the supply of medical cannabis to certain patients who, under the former regulatory regime, were licensed to receive medical cannabis until July 30, 2019, as per conditions and prices set in that former regulatory regime. The High Court delivered the Interim Order despite a new regulatory regime implemented in October 2019 that mandated new conditions and prices for supply of medical cannabis to qualifying patients. The Interim Order is applicable until March 2020 or such time as may be decided by the High Court. Focus Medical, a licensed producer in Israel with which the Issuer has certain commercial agreements, has filed, along with other cultivators, motions seeking further clarification with regard to the Interim Order pending a final decision by the High Court. The Issuer does not expect the Interim Order to have a material impact given the short period during which the decision is effective and the limited number of patients to which the decision applies.**

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## Certificate Of Compliance

The undersigned hereby certifies that:

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

Dated January 8, 2020.

Oren Shuster

\_\_\_\_\_  
Name of Director or Senior Officer

"Oren Shuster"

\_\_\_\_\_  
Signature

Chief Executive Officer

\_\_\_\_\_  
Official Capacity

<b>Issuer Details</b> Name of Issuer	For Month End December 2019	Date of Report YY/MM/D 20/01/08
IM Cannabis Corp.		
Issuer Address		
550 Burrard Street, Suite 2300, Bentall 5		
City/Province/Postal Code Vancouver, BC V6C 2B5	Issuer Fax No. ( )	Issuer Telephone No. 0773-360-3504
Contact Name Yael Harrosh	Contact Position Business and Compliance Manager	Contact Telephone No. 0773-360-3504
Contact Email Address yael.h@imcannabis.com	Web Site Address <a href="http://www.imcannabis.com/">http://www.imcannabis.com/</a>	

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January 2015

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FORM 7

**MONTHLY PROGRESS REPORT**

Name of Listed Issuer: IM Cannabis Corp. (the "Issuer").

Trading Symbol: IMCC

Number of Outstanding Listed Securities:  
145,743,283 Common Shares, 9,730,258 Warrants

Date: February 7, 2020

**Report on Business**

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

**Corporate Developments:**

- On January 10, 2020, the Issuer announced that it will hold an annual general meeting of shareholders on March 16, 2020 in Toronto, Canada.
- On January 29, 2020, the Issuer filed notice that it had changed its auditor from Dale Matheson Carr-Hilton Labonte LLP to Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global.

**Greek Developments**

- On January 23, 2020, the Issuer entered into a definitive joint venture agreement with a local Greek partner called "Galen Industries Single Member Societe Anonyme" ("Galen"). The Greek joint venture will invest up to €8,000,000 to build and operate an EU-GMP certified cultivation and processing facility in Greece. The Issuer will own a 25% interest in the Greek joint venture with the remaining 75% owned by Galen.

The Issuer will have the right to purchase up to 25% of the total production from the Greek joint venture at a preferred price for an initial period of five years.

**German Developments:**

- On January 23, 2020 Adjupharm GmbH, the Issuer's German distribution subsidiary ("Adjupharm"), entered into a supply, distribution and promotion agreement with a German distribution company (the "German Supply Agreement"). Pursuant to the German Supply Agreement, Adjupharm will supply medical cannabis products to the German distributors in an amount to be determined based on a rolling forecast provided by the distributor.

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

**Management of the Issuer remains focused on identifying new strategic investments and growth opportunities in Israel and Europe, including but not limited to securing German and European supply and distribution agreements.**

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

**Not applicable**

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

**Not Applicable**

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

- **The Issuer entered into the Greek joint venture as described in Item 1.**
- **Adjupharm entered into the German Supply Agreement, as described in Item 1.**

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

**Not Applicable**

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

**The Issuer entered into the Greek joint venture in which it will hold a 25% interest. The Issuer contributed initial consideration of €8,334 and has agreed to contribute up to an additional €1,500,000 into the Greek joint venture. Galen is not a Related Person of the Issuer.**

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

**Adjupharm entered into the German Supply Agreement with a new German distribution client. Adjupharm also received a €250,000 purchase order from a new German client for its vitamin and mineral pre-mix products.**

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

**Not Applicable**

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

**Adjupharm appointed a new Marketing Manager and a new Business Development Manager**

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

**Not Applicable**

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

**Not Applicable**

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

**Not Applicable**

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

**The issuer did not issue any common shares nor grant any options or warrants in January 2020.**

Security	Number Issued	Details of Issuance	Use of Proceeds <sup>(1)</sup>

*(1) State aggregate proceeds and intended allocation of proceeds.*

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

**On January 28, 2020, I.M.C. Holdings Ltd., a wholly-owned subsidiary of the Issuer, loaned €200,000 to Adjupharm, to be repaid within 2 years.**

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

**None**

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

**The Government of Israel approved the first export of medical cannabis from Israel to the United Kingdom, as discussed in the Issuer's press release dated January 30, 2020.**

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**FORM 7 – MONTHLY PROGRESS REPORT**

January 2015

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## Certificate Of Compliance

The undersigned hereby certifies that:

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

Dated: February 7, 2020

Oren Shuster

Name of Director or Senior Officer

*"Oren Shuster"*

Signature

Chief Executive Officer

Official Capacity

<b>Issuer Details</b> Name of Issuer	For Month End December 2019	Date of Report YY/MM/D 20/02/07
IM Cannabis Corp.		
Issuer Address		
550 Burrard Street, Suite 2300, Bentall 5		
City/Province/Postal Code Vancouver, BC V6C 2B5	Issuer Fax No. ( )	Issuer Telephone No. 0773-360-3504
Contact Name Yael Harrosh	Contact Position Business and Compliance Manager	Contact Telephone No. 0773-360-3504
Contact Email Address yael.h@imcannabis.com	Web Site Address <a href="http://www.imcannabis.com/">http://www.imcannabis.com/</a>	

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FORM 10

NOTICE OF PROPOSED SIGNIFICANT TRANSACTION (not involving  
an issuance or potential issuance of a listed security)<sup>1</sup>

Name of Listed Issuer: IM Cannabis Corp. (the "Issuer").

Trading Symbol: IMCC

Issued and Outstanding Securities of the Issuer Prior to Transaction: 145,743,283

Date of News Release Fully Disclosing the Transaction: Not applicable. Although the transaction is a "significant transaction" under CSE policies, the Issuer does not consider the transaction to be material information.

**1. Transaction**

1. Provide details of the transaction including the date, description and location of assets, if applicable, parties to and type of agreement (eg: sale, option, license, contract for Investor Relations Activities etc.) and relationship to the Issuer. The disclosure should be sufficiently complete to enable a reader to appreciate the significance of the transaction without reference to any other material: On January 28, 2020, I.M.C. Holdings Ltd. ("IMC Holdings"), a wholly-owned subsidiary of the Issuer, loaned €200,000 in cash to Adjupharm GmbH ("Adjupharm"), the Issuer's majority-owned, German distribution subsidiary. The loan accrues interest at 4% per annum and its maturity date is January 28, 2022 with an option to prepay. Adjupharm is a Related Person of the Issuer by virtue of being a Related Entity (as such term is defined under the CSE policies) to the Issuer.
2. Provide the following information in relation to the total consideration for the transaction (including details of all cash, non-convertible debt securities or other consideration) and any required work commitments:
  - (a) Total aggregate consideration in Canadian dollars: Approximately C\$290,180 (€200,000 using the Bank of Canada daily exchangerate of 1.4509).
  - (b) Cash: Approximately C\$290,180 (€200,000 using the Bank of Canada daily exchange rate of 1.4509).

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<sup>1</sup> If the transaction involved the issuance of securities, other than debt securities that are not convertible into listed securities, use Form 9.

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(c) Other: \_\_\_\_\_.

(d) Work commitments: \_\_\_\_\_.

3. State how the purchase or sale price and the terms of any agreement were determined (e.g. arm's-length negotiation, independent committee of the Board, third party valuation etc.).

The terms of the agreement were determined through negotiations between the Chief Financial Officer of IMC Holdings and the Chief Executive Officer and sole minority shareholder of Adjupharm.

4. Provide details of any appraisal or valuation of the subject of the transaction known to management of the Issuer Not applicable.

5. If the transaction is an acquisition, details of the steps taken by the Issuer to ensure that the vendor has good title to the assets being acquired Not applicable.

6. Provide the following information for any agent's fee, commission, bonus or finder's fee, or other compensation paid or to be paid in connection with the transaction (including warrants, options, etc.): Not applicable.

(a) Details of any dealer, agent, broker or other person receiving compensation in connection with the transaction (name, address. If a corporation, identify persons owning or exercising voting control over 20% or more of the voting shares if known to the Issuer)

\_\_\_\_\_.

(b) Cash \_\_\_\_\_.

(c) Other \_\_\_\_\_.

7. State whether the vendor, sales agent, broker or other person receiving compensation in connection with the transaction is a Related Person or has any other relationship with the Issuer and provide details of the relationship. Not applicable.

8. If applicable, indicate whether the transaction is the acquisition of an interest in property contiguous to or otherwise related to any other asset acquired in the last 12 months. Not applicable.

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**FORM 10 - NOTICE OF PROPOSED  
SIGNIFICANT TRANSACTION**

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**2. Development**

Provide details of the development. The disclosure should be sufficiently complete to enable a reader to appreciate the significance of the transaction without reference to any other material: Not applicable.

**3. Certificate Of Compliance**

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. To the knowledge of the Issuer, at the time an agreement in principle was reached, no party to the transaction had knowledge of any undisclosed material information relating to the Issuer, other than in relation to the transaction.
3. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
4. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
5. All of the information in this Form 10 Notice of Proposed Significant Transaction is true.

Dated February 24, 2020.

Oren Shuster

Name of Director or Senior Officer

"Oren Shuster"

Signature

Chief Executive Officer

Official Capacity

**FORM 10 - NOTICE OF PROPOSED  
SIGNIFICANT TRANSACTION**

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FORM 7

**MONTHLY PROGRESS REPORT**

Name of Listed Issuer: IM Cannabis Corp. (the "Issuer").

Trading Symbol: IMCC

Number of Outstanding Listed Securities:

145,743,283 Common Shares, 9,730,258 Warrants

Date: March 6, 2020

**Report on Business**

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

**Corporate Developments:**

- On February 25, 2020, the issuer entered a supply agreement with a Canadian licensed producer (the "Canadian LP"), for the purchase of 153 kg of dried cannabis flower to be imported to Israel. The supply agreement is conditional upon the Issuer obtaining an import approval from the applicable Israel authorities.
- During February 2020, Adjupharm GmbH, the Issuer's German subsidiary, sold 2.5 kg of cannabis flowers directly to pharmacies in Germany.

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

**Management of the Issuer remains focused on identifying new strategic investments and growth opportunities in Israel and Europe, including but not limited to securing German and European supply and distribution agreements.**

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

**Not applicable**

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

**FORM 7 – MONTHLY PROGRESS REPORT**

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**Not Applicable**

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.
- **The Issuer entered into a supply agreement with a Canadian LP, as described in Item 1. The Canadian LP is not a Related Person of the Issuer.**
6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.
- **The Issuer has terminated its agreement with Gilbert Kahana Ltd., which had provided Israeli investor relations services to the Issuer since July 2019. The termination is effective as of April 11<sup>th</sup>, 2020.**
  - **The Issuer has terminated its agreement with Professor Rafi Carraso, who provided medical consulting and marketing services to the Issuer since January 2019. The termination is effective as of March 18<sup>th</sup>, 2020.**
7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

**Not Applicable**

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

**Not Applicable**

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

**Not Applicable**

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

**FORM 7 – MONTHLY PROGRESS REPORT**

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**The Issuer:**

- The Issuer downsized its call center, eliminating roles for two representatives.
- The Issuer's marketing manager resigned.
- The Issuer hired a new bookkeeper to join its financial department. The commencement date shall be in March 2020.

**Adjupharm:**

- Adjupharm terminated its Quality Manager.

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

**Not Applicable**

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

**Not Applicable**

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

**Not Applicable**

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

**The issuer did not issue any common shares nor grant any options or warrants in February 2020.**

Security	Number Issued	Details of Issuance	Use of Proceeds <sup>(1)</sup>

*(1) State aggregate proceeds and intended allocation of proceeds.*

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

**Not Applicable**

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

**None**

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

**Not Applicable**

**FORM 7 – MONTHLY PROGRESS REPORT**

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## Certificate Of Compliance

The undersigned hereby certifies that:

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

Dated: March 6, 2020

Oren Shuster

Name of Director or Senior Officer

*"Oren Shuster"*

Signature

Chief Executive Officer

Official Capacity

<b>Issuer Details</b>		For Month End February 2020	Date of Report YY/MM/D 2020/03/06
Name of Issuer IM Cannabis Corp.			
Issuer Address 550 Burrard Street, Suite 2300, Bentall 5			
City/Province/Postal Code Vancouver, BC V6C 2B5		Issuer Fax No. (    )	Issuer Telephone No. 0773-360-3504
Contact Name Yael Harrosh		Contact Position General Counsel and Business Manager	Contact Telephone No. 0773-360-3504
Contact Email Address yael.h@imcannabis.com		Web Site Address <a href="http://www.imcannabis.com/">http://www.imcannabis.com/</a>	

## FORM 7 – MONTHLY PROGRESS REPORT

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FORM 7

**MONTHLY PROGRESS REPORT**

Name of Listed Issuer: IM Cannabis Corp. (the "Issuer").

Trading Symbol: IMCC

Number of Outstanding Listed Securities:

145,743,283 Common Shares, 9,730,258 Warrants

Date: April 7, 2020

**Report on Business**

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

**Corporate Developments:**

- On March 9, 2020, Adjupharm GmbH, the Issuer's German distribution subsidiary ("Adjupharm"), entered into a supply, distribution and promotion agreement with a German distribution company. Pursuant to the supply agreement, Adjupharm will supply medical cannabis products to the German distributor in an amount to be determined based on a rolling forecast and a purchase order that the distributor shall submit to Adjupharm.
  - On March 16, 2020, the Issuer held its annual general meeting of shareholders. Shareholders of the Issuer approved all items of business put forward, including fixing the number of directors at five; electing Oren Shuster, Marc Lustig, Steven Mintz, Rafael Gabay and Vivian Bercovici as directors; appointing Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global as auditors of the Issuer; and re-approving the Issuer's 10% rolling stock option plan.
  - On March 25, 2020, Adjupharm entered into a supply, distribution and promotion agreement with a German distribution company. Pursuant to the supply agreement, Adjupharm will supply medical cannabis products to the German distributor in an amount to be determined based on a rolling forecast and a purchase order that the distributor shall submit to Adjupharm
  - During March 2020, Adjupharm sold 3,000 grams of dried cannabis directly to pharmacies in Germany.
2. Provide a general overview and discussion of the activities of management.

Management of the Issuer remains focused on identifying new strategic investments and growth opportunities in Israel and Europe, including but not limited to securing German and European supply and distribution agreements and sales and supply agreement in the local Israeli market.

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

**The current COVID-19 novel coronavirus ("COVID-19") situation in Germany has created high demand for medical equipment. Adjupharm has started to provide certain medical equipment to German pharmacies, doctors and patients. With almost 30 years of experience and network in the European Pharma Industry, Adjupharm has also applied its European pharmaceutical expertise to supplying disinfectants.**

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

**Not Applicable**

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

- **Adjupharm entered into two Supply Agreements with German distributors, as described in Item 1. The distributors are not Related Persons of the Issuer or Adjupharm.**

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

- **On March 17, 2020, the Issuer terminated its agreement with MTM Medical Target Marketing Ltd., an Israel-based company that had provided strategy and marketing services to the Issuer in the Israeli market since July 2019.**

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

**Not Applicable**

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

**Not Applicable**

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

**On March 17, 2020, Adjupharm received the approval of the German authorities to import irradiated cannabis flowers to Germany. Adjupharm has registered 8 strains with different cannabinoid contents ranging from high THC and high CBD to balanced strains.**

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

**Not Applicable**

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

**Not Applicable**

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

**Not Applicable**

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

**Not Applicable**

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

**The issuer did not issue any common shares nor grant any options or warrants in March 2020.**

Security	Number Issued	Details of Issuance	Use of Proceeds <sup>(1)</sup>

*(1) State aggregate proceeds and intended allocation of proceeds.*

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

**Not Applicable**

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

**At the Issuer's annual general meeting of shareholders on March 16, 2020, Rafael Gabay and Vivian Bercovici were elected to the Issuer's board of directors. Jesse Kaplan's term as a director of the Issuer concluded and he did not stand for re-election.**

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

**The current global uncertainty with respect to the spread of 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 Issuer's business in the coming months.**

**The Issuer has taken proactive measures in the early stages of the COVID-19 pandemic to protect the health and safety of its employees, to continue delivering high quality medical cannabis to its patients and to maintain its strong balance sheet. The Issuer has postponed planned investments in innovation until global economic risks subside. The Issuer will focus on developing its brand in Germany by increasing volumes to medical patients in that market, adding supply and sales agreements in Israel, and reaching profitability in the near term.**

**While the precise impact of the COVID-19 outbreak on the Issuer remains unknown, rapid spread of COVID-19 and declaration of the outbreak as a global pandemic has 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 and around the world and could result in additional precautionary measures that could impact the Issuer'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, which could interrupt supplies and other services from third parties upon which the Issuer relies, decrease demand for products, 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 Issuer.**

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## Certificate Of Compliance

The undersigned hereby certifies that:

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

Dated: April 7, 2020

Oren Shuster

Name of Director or Senior Officer

*"Oren Shuster"*

Signature

Chief Executive Officer

Official Capacity

<b>Issuer Details</b>	For Month End	Date of Report YY/MM/D
Name of Issuer	March 2020	2020/04/07
IM Cannabis Corp.		
Issuer Address		
550 Burrard Street, Suite 2300, Bentall 5		
City/Province/Postal Code Vancouver, BC V6C 2B5	Issuer Fax No. ( )	Issuer Telephone No. 0773-360-3504
Contact Name Yael Harrosh	Contact Position Business and Compliance Manager	Contact Telephone No. 0773-360-3504
Contact Email Address yael.h@imcannabis.com	Web Site Address <a href="http://www.imcannabis.com/">http://www.imcannabis.com/</a>	

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FORM 7

**MONTHLY PROGRESS REPORT**

Name of Listed Issuer: IM Cannabis Corp. (the "Issuer").

Trading Symbol: IMCC

Number of Outstanding Listed Securities:

146,029,903 Common Shares, 9,730,258 Warrants

Date: May 6, 2020

**Report on Business**

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.
  - **On April 2, 2020, the Issuer provided a business update on COVID-19 stating the Issuer's recent business developments in its Israeli and German operations, as well as measures taken to adjust the Issuer's business to continue operations during COVID-19.**
  - **On April 21, 2020, the Issuer filed its 2019 audited annual financial statements and MD&A for the year ended December 31, 2019.**
  - **During April 2020, Adjupharm GmbH ("Adjupharm"), the Issuer's German subsidiary, sold 3,885 grams of dried cannabis directly to pharmacies in Germany.**
  - **During April 2020, Focus Medical Herbs Ltd. ("Focus Medical"), an Israeli licensed medical cannabis producer with whom the Issuer has an exclusive commercial arrangement, entered into a supply agreement to acquire cannabis supply from an Israeli cannabis licensed cultivator and sales agreements with five Israeli pharmacy chains to sell products bearing the Issuer's brand.**
2. Provide a general overview and discussion of the activities of management.

**Management of the Issuer remains focused on identifying new strategic investments and growth opportunities in Israel and Europe, including but not limited to securing German and European supply and distribution agreements and sales and supply agreement in the local Israeli market.**
3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

**Not Applicable**

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

**Not Applicable**

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

**Not Applicable**

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

**On April 17, 2020, the Issuer terminated a consulting agreement with Ryan Walsh entered into in September 2018.**

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

**Not Applicable**

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

**Not Applicable**

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

**Not Applicable.**

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

**On April 8, 2020, the Issuer announced the resignation of Amir Goldstein, the Issuer's Chief Operating Officer, effective June 20, 2020.**

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

**Not Applicable**

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

**Not Applicable**

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

**Not Applicable**

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

**The following securities were issued by the Issuer in April 2020:**

Security	Number Issued	Details of Issuance	Use of Proceeds <sup>(1)</sup>
Common Shares	113,520 173,100	Warrant Exercise Compensation Option Exercise	\$101,366.16, to be used for working capital
Warrants	86,550; \$0.50 exercise price per warrant	Compensation Option Exercise	Not applicable

*(1) State aggregate proceeds and intended allocation of proceeds.*

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

**Not Applicable**

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

**On April 8, 2020, the Issuer announced the resignation of Amir Goldstein, the Issuer's Chief Operating Officer, effective June 20, 2020.**

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

**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 Issuer's business in the coming months.**

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The Issuer has taken proactive measures in the early stages of the COVID-19 pandemic to protect the health and safety of its employees, to continue delivering high quality medical cannabis to its patients and to maintain its strong balance sheet. The Issuer has postponed planned investments in innovation until global economic risks subside. The Issuer will focus on developing its brand in Germany by increasing volumes to medical patients in that market, adding supply and sales agreements in Israel, and reaching profitability in the near term.

While the precise impact of the COVID-19 outbreak on the Issuer remains unknown, rapid spread of COVID-19 and declaration of the outbreak as a global pandemic has 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 and around the world and could result in additional precautionary measures that could impact the Issuer'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, which could interrupt supplies and other services from third parties upon which the Issuer relies, decrease demand for products, 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 Issuer.

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### Certificate Of Compliance

The undersigned hereby certifies that:

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

Dated: May 6, 2020

Oren Shuster

Name of Director or Senior Officer

"Oren Shuster"

Signature

Chief Executive Officer

Official Capacity

<b>Issuer Details</b>		For Month End	Date of Report YY/MM/D
Name of Issuer		April 2020	2020/05/06
IM Cannabis Corp.			
Issuer Address			
550 Burrard Street, Suite 2300, Bentall 5			
City/Province/Postal Code Vancouver, BC V6C 2B5		Issuer Fax No. ( )	Issuer Telephone No. 0773-360-3504
Contact Name Yael Harrosh		Contact Position General Counsel and Business Manager	Contact Telephone No. 0773-360-3504
Contact Email Address yael.h@imcannabis.com		Web Site Address <a href="http://www.imcannabis.com/">http://www.imcannabis.com/</a>	

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FORM 7

**MONTHLY PROGRESS REPORT**

Name of Listed Issuer: IM Cannabis Corp. (the "Issuer").

Trading Symbol: IMCC

Number of Outstanding Listed Securities as of 31/5/2020:

152,451,328 Common Shares, 9,730,258 Warrants

Date: June 5, 2020

**Report on Business**

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.
    - On May 7, 2020, the Issuer announced that Adjupharm GmbH ("Adjupharm"), the Issuer's German subsidiary, received two binding purchase commitments from two German distribution companies for a total of 360kg of medical cannabis over 12 months to be sold in Germany.
    - On May 12, 2020, the Issuer announced that, Adjupharm received another binding purchase commitment of 465kg medical cannabis over 12 months from a distributor in Germany.
    - On May 14, 2020, the Issuer announced that the Israeli Ministry of Economy signed a Free Export Order ("FEO") on May 13, 2020 for medical cannabis products. Applications for exporting cannabis products will be permitted to be submitted 30 days from signing the FEO and will be subject to meeting certain criteria set out by the Israeli Government.
    - On May 19, 2020, the Issuer announced that Adjupharm received an approval from the German authorities (BfArM) to extend its existing license and for the import and sale of 4,000 kg of medical cannabis into Germany. The license covers a range of cannabis-based products from the Netherlands, Spain, Canada and Portugal.
    - On May 26, 2020, the Issuer announced that Focus Medical Herbs Ltd. ("Focus Medical"), an Israeli licensed medical cannabis producer with whom the Issuer has an exclusive commercial arrangement, imported medical cannabis to Israel from the Issuer's EU-GMP global supplier in Spain for the first time. Approximately 200kg of medical cannabis was imported.
    - On May 27, 2020, the Issuer announced a delay in filing its Q1 2020 financial statements and MD&A (the "Q1 Filings"). Pursuant to BC Instrument 51-515 - Temporary Exemption from Certain Corporate Finance Requirements, the Issuer has an additional 45 days to file the Q1 Filings. The Issuer anticipates completing the Q1 Filings no later than June 15, 2020.
    - During May 2020, Adjupharm sold 6,495 grams of dried cannabis directly to pharmacies in Germany.
-

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

**Management of the Issuer remains focused on identifying new strategic investments and growth opportunities in Israel and Europe, including, but not limited to, securing German and European supply and distribution agreements and sales and supply agreements in the local Israeli market.**

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

**Not Applicable**

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

**Not Applicable**

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

**Adjupharm received three binding purchase commitments from three distributors In Germany, as described in Item 1. The distributors are not Related Persons of the Issuer or Adjupharm.**

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

**Not Applicable**

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

**Not Applicable**

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

**Adjupharm terminated three agreements with customers that used Adjupharm's warehousing services. Adjupharm acquired one new customer that used Adjupharm's warehousing to obtain a GDP license.**

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

- **Adjupharm registered three domains:**

- Imcannabis.gr
- Imcannabis.pt
- Imcannabis.de

- **Adjupharm registered the "IMC" word and logo in the German patent and trademark office.**

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

- **Adjupharm hired a trainee to the team, who will commence work in August 2020.**

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

**Not Applicable**

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

**Not Applicable**

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

**Not Applicable**

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

**The following securities were issued by the Issuer in May 2020:**

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Security	Number Issued	Details of Issuance	Use of Proceeds <sup>(1)</sup>
Common Shares	6,422,900 343,250	Warrant exercises Compensation option exercices	\$3,348,750 to be used for working capital
Warrants	171,625; \$0.50 exercise price per warrant	Underlying warrants from exercised compensation options	Not applicable

(1) State aggregate proceeds and intended allocation of proceeds.

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

**On May 2020, I.M.C. Holdings Ltd., a wholly-owned subsidiary of the Issuer, loaned €200,000 to Adjupharm, to be repaid within 2 years.**

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

**Not Applicable**

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

**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 Issuer's business in the coming months.**

**The Issuer has taken proactive measures in the early stages of the COVID-19 pandemic to protect the health and safety of its employees, to continue delivering high quality medical cannabis to its patients and to maintain its strong balance sheet. The Issuer has postponed planned investments in innovation until global economic risks subside. The Issuer will focus on developing its brand in Germany by increasing volumes to medical patients in that market, adding supply and sales agreements in Israel, and reaching profitability in the near term.**

**While the precise impact of the COVID-19 outbreak on the Issuer remains unknown, rapid spread of COVID-19 and declaration of the outbreak as a global pandemic has 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 and around the world and could result in additional precautionary measures that could impact the Issuer'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, which could interrupt supplies and other services from third parties upon which the Issuer relies, decrease demand for products, 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 Issuer.**

### Certificate Of Compliance

The undersigned hereby certifies that:

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

Dated: June 5, 2020

Oren Shuster

Name of Director or Senior Officer

*"Oren Shuster"*

Signature

Chief Executive Officer

Official Capacity

<b>Issuer Details</b>	For Month End	Date of Report YY/MM/D
Name of Issuer	May 2020	2020/06/05
IM Cannabis Corp.		
Issuer Address		
550 Burrard Street, Suite 2300, Bentall 5		
City/Province/Postal Code Vancouver, BC V6C 2B5	Issuer Fax No. ( )	Issuer Telephone No. 0773-360-3504
Contact Name Yael Harrosh	Contact Position General Counsel and Business Manager	Contact Telephone No. 0773-360-3504
Contact Email Address yael.h@imcannabis.com	Web Site Address <a href="http://www.imcannabis.com/">http://www.imcannabis.com/</a>	

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**FORM 5**

**QUARTERLY LISTING STATEMENT**

Name of Listed Issuer: IM Cannabis Corp (the "Issuer").

Trading Symbol: IMCC

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the ~~the~~ *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

**General Instructions**

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 - Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

**SCHEDULE A: FINANCIAL STATEMENTS**

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

Refer to the Issuer's condensed interim consolidated financial statements for the period ended March 31, 2020 filed on SEDAR and posted on the Issuer's profile on the CSE website.

## **SCHEDULE B: SUPPLEMENTARY INFORMATION**

The supplementary information set out below must be provided when not included in Schedule A.

### **1. Related party transactions**

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

**Not Applicable.**

### **2. Summary of securities issued and options granted during the period.**

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

- (a) summary of securities issued during the period,

**The Issuer did not issue any securities during the period.**

- (b) summary of options granted during the period,

**The Issuer did not grant any options during the period.**



**3. Summary of securities as at the end of the reporting period.**

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

**The Issuer has authorized an unlimited number of common shares ("Common Shares").**

- (b) number and recorded value for shares issued and outstanding,

**145,743,283 common shares of the Issuer were issued and outstanding as at the end of the reporting period.**

- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

Securities	Number Outstanding
Options	12,300,000
Warrants <sup>(1)</sup>	21,850,698
Compensation Options <sup>(2)</sup>	3,728,769 <sup>(3)</sup>

Notes:

- (1) 11,413,750 warrants are exercisable for one Common Share at an exercise price of \$0.50 per share for a period of 24 months from the date of issuance. 706,713 warrants are exercisable for one Common Share at an exercise price of \$0.28 per share with an expiry date of May 5, 2020. 9,730,235 warrants are exercisable for one Common Share at an exercise price of \$1.30 per share for a period of 24 months from the date of issuance.
- (2) 1,286,520 compensation options are exercisable for one unit at an exercise price of \$0.40 per unit for a period of 24 months following the date of issuance, with each unit consisting of one compensation Common Share and one-half of one compensation warrant, with each whole compensation warrant exercisable to acquire one Common Share at a price of \$0.50. 1,199,326 Compensation Options are exercisable for one unit at an exercise price of \$1.05 per unit for a period of 36 months following the date of issuance. Each unit consists of one compensation Common Share and one-half of one compensation warrant, with each whole compensation warrant exercisable to acquire one Common Share at a price of \$1.30 for a period of 36 months following the date of issuance.
- (3) Calculated on a fully diluted basis.

- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

**Not applicable.**

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Name	Title
Oren Shuster	Chief Executive Officer and Director
Marc Lustig	Director and Non-Executive Chairman
Steven Mintz	Director
Rafael Gabay	Director
Vivian Bercovici	Director
Amir Goldstein	Chief Operating Officer
Shai Shemesh	Chief Financial Officer
Yael Harrosh	Corporate Secretary and General Counsel
Richard Balla	Chief Executive Officer, Adjupharm GmbH

#### **SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS**

Provide Interim MD&A if required by applicable securities legislation.

**Refer to the Issuer's management discussion and analysis for the period ended March 31, 2020 filed on SEDAR and posted on the Issuer's profile on the CSE website.**

## Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated: June 5, 2020.

Shai Shemesh

Name of Director or Senior Officer

"Shai Shemesh"

Signature

Chief Financial Officer

Official Capacity

<b>Issuer Details</b>	For Month End March 2020	Date of Report YY/MM/D 20/06/05
Name of Issuer		
IM Cannabis Corp.		
Issuer Address		
550 Burrard Street, Suite 2300, Bentall 5		
City/Province/Postal Code Vancouver, BC V6C 2B5	Issuer Fax No. ( )	Issuer Telephone No. 0773-360-3504
Contact Name Yael Harrosh	Contact Position Business and Compliance Manager	Contact Telephone No. 0773-360-3504
Contact Email Address yael.h@imcannabis.com	Web Site Address <a href="http://www.imcannabis.com/">http://www.imcannabis.com/</a>	

## FORM 5 – QUARTERLY LISTING STATEMENT

January 2015

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**FORM 11****NOTICE OF PROPOSED STOCK OPTION GRANT OR AMENDMENT**

Name of Listed Issuer: IM Cannabis Corp. (the "Issuer").

Trading Symbol: IMCC

Date: June 11, 2020

**1. New Options Granted:**

Date of Grant: June 9, 2020

<b>Name of Optionee</b>	<b>Position (Director/ Officer/ Employee/ Consultant/ Management Company)</b>	<b>Insider Yes or No?</b>	<b>No. of Optioned Shares</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>No. of Options Granted in Past 12 Months</b>
Oren Shuster	Director, Officer	Yes	250,000	\$1.00	June 9, 2025	2,000,000
Shai Shemesh	Officer	Yes	150,000	\$1.00	June 9, 2025	250,000
Yaron Berger	Officer	No	500,000	\$1.00	June 9, 2025	0
Yael Harrosh	Officer	Yes	150,000	\$1.00	June 9, 2025	200,000
Roy Kait	Consultant	No	120,000	\$1.00	June 9, 2025	500,000
Doron Reznik	Employee	No	500,000	\$1.00	June 9, 2025	0
Ben Brownstein	Employee	No	25,000	\$1.00	June 9, 2025	300,000
Rivki Stern	Consultant	No	100,000	\$1.00	June 9, 2025	360,000
Amir Dvora	Employee	No	25,000	\$1.00	June 9, 2025	300,000
Tomer Oved	Employee	No	75,000	\$1.00	June 9, 2025	0
Liat Noy	Employee	No	5,000	\$1.00	June 9, 2025	50,000
Sharon Krauz	Employee	No	5,000	\$1.00	June 9, 2025	10,000

**FORM 11 – NOTICE OF PROPOSED STOCK OPTION GRANT  
OR AMENDMENT**

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Ziva Kampinsky	Employee	No	5,000	\$1.00	June 9, 2025	10,000
Sivan Adler	Employee	No	15,000	\$1.00	June 9, 2025	0
Sharon Rapoport	Employee	No	80,000	\$1.00	June 9, 2025	0
Yael Oz Carmon	Employee	No	90,000	\$1.00	June 9, 2025	0
Anna Taranko	Employee	No	75,000	\$1.00	June 9, 2025	0
Francesco Bisceglia	Employee	No	75,000	\$1.00	June 9, 2025	0
Vivian Bercovici	Director	Yes	360,000	\$1.00	June 9, 2025	0
Refael Gabay	Director	Yes	360,000	\$1.00	June 9, 2025	0

Total Number of optioned shares proposed for acceptance: 2,965,000.

**2. Other Presently Outstanding Options:**

Name of Optionee	No. of Optioned Shares <sup>(1)</sup>	Exercise Price	Original Date of Grant	Expiry Date
Roy Kait	500,000	\$0.40	October 11, 2019	January 4, 2029
Oren Shuster	2,000,000	\$0.40	October 11, 2019	January 4, 2029
Rivka Stern	360,000	\$0.40	October 11, 2019	January 4, 2029
Ryan Walsh	120,000	\$0.40	October 11, 2019	September 11, 2029
Ben Brownstein	300,000	\$0.40	October 11, 2019	January 4, 2029
Liat Mika Noy	50,000	\$0.40	October 11, 2019	September 11, 2029
Amir Goldstein	833,333	\$0.40	October 11, 2019	January 4, 2029
Marc Lustig	2,700,000	\$0.40	October 11, 2019	September 11, 2029
Merav Senior	66,670	\$0.40	October 11, 2019	January 4, 2029
Yael Harrosh	200,000	\$0.40	October 11, 2019	January 4, 2029
Sharon Karuz	10,000	\$0.40	October 11, 2019	January 4, 2029

**FORM 11 – NOTICE OF PROPOSED STOCK OPTION GRANT  
OR AMENDMENT**

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Shiran Schwartz	3,333	\$0.40	October 11, 2019	January 4, 2029
Amir Dvora	300,000	\$0.40	October 11, 2019	February 3, 2029
Shai Shemesh	250,000	\$0.40	October 11, 2019	April 7, 2029
Ziva Kampinsky	10,000	\$0.40	October 11, 2019	May 13, 2029
Keren Reuveni	30,000	\$0.40	October 11, 2019	August 11, 2029
Mell Willson	30,000	\$0.40	October 11, 2019	August 11, 2029
Lior Holtzman	30,000	\$0.40	October 11, 2019	August 11, 2029
Shai Filo	30,000	\$0.40	October 11, 2019	August 11, 2029
Ben Gabai	30,000	\$0.40	October 11, 2019	August 11, 2029
Yoav Shiloni	30,000	\$0.40	October 11, 2019	August 11, 2029
Aviv Ben-Ami	30,000	\$0.40	October 11, 2019	August 11, 2029
Liz On	10,000	\$0.40	October 11, 2019	August 11, 2029
Lea-Shira Weizner	10,000	\$0.40	October 11, 2019	August 11, 2029
Omri Tzadok	10,000	\$0.40	October 11, 2019	August 11, 2029
Or Hilel	10,000	\$0.40	October 11, 2019	August 11, 2029
Korin Avrahami	10,000	\$0.40	October 11, 2019	August 11, 2029
Rotem Tzadok	10,000	\$0.40	October 11, 2019	August 11, 2029
Nitzan Shalem	10,000	\$0.40	October 11, 2019	August 11, 2029
Shai Goldin	10,000	\$0.40	October 11, 2019	August 11, 2029
Oded Natan	10,000	\$0.40	October 11, 2019	August 11, 2029
Richard Balla	360,000	\$0.40	October 11, 2019	July 30, 2029

**FORM 11 – NOTICE OF PROPOSED STOCK OPTION GRANT  
OR AMENDMENT**

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Jesse Kaplan	120,000	\$0.40	October 11, 2019	September 11, 2029
Steven Mintz	1,000,000	\$0.40	October 11, 2019	September 11, 2029
Rafi Carasso	10,000	\$0.40	October 11, 2019	January 4, 2029
Tehila Cohen	10,000	\$0.40	October 11, 2019	September 11, 2029
Navjit Dhaliwal	25,000	\$1.05	October 11, 2019	October 9, 2022
Balu Gopalakrishnan	25,000	\$1.05	October 11, 2019	October 9, 2022
LodeRock Advisors Inc.	350,000	\$1.05	October 11, 2019	October 11, 2029

(1) Set out number of optioned shares for each grant with different terms.

**3. Additional Information**

- (a) If shareholder approval was required for the grant of options (including prior approval of a stock option plan), state the date that the shareholder meeting approving the grant was or will be held. **March 16, 2020**
- (b) State the date of the news release announcing the grant of options. **N/A**
- (c) State the total issued and outstanding share capital at the date of grant or amendment. **154,678,093 common shares**
- (d) State, as a percentage of the issued and outstanding shares of the Issuer indicated in (c) above, the aggregate number of shares that are subject to incentive stock options, including new options, amended options and other presently outstanding options. **8.3%**
- (e) If the new options are being granted pursuant to a stock option plan, state the number of remaining shares reserved for issuance under the plan. **2,599,473**
- (f) If the Issuer has completed a public distribution of its securities within 90 days of the date of grant, state the per share price paid by the public investors. **N/A**
- (g) Describe the particulars of any proposed material changes in the affairs of the Issuer. **N/A**

**4. Certificate of Compliance**

**FORM 11 – NOTICE OF PROPOSED STOCK OPTION GRANT  
OR AMENDMENT**

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The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 11 Notice of Proposed Stock Option Grant or Amendment is true.

Dated June 11, 2020.

Oren Shuster

Name of Director or Senior Officer

"Oren Shuster"

Signature

Chief Executive Officer

Official Capacity

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**FORM 11 – NOTICE OF PROPOSED STOCK OPTION GRANT  
OR AMENDMENT**

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FORM 7

**MONTHLY PROGRESS REPORT**

Name of Listed Issuer: IM Cannabis Corp. (the "Issuer").

Trading Symbol: IMCC

Number of Outstanding Listed Securities as of 30/6/2020:

158,280,748 Common Shares, 9,730,258 Warrants

Date: July 8, 2020

**Report on Business**

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.
    - On June 4, 2020, the Issuer announced a semi-annual record harvest of over 3,000 Kg by Focus Medical Herbs Ltd. ("Focus Medical"), an Israeli licensed medical cannabis producer with whom the Issuer has an exclusive commercial agreement. Focus Medical also completed its first two months of shipments of medical cannabis to Super-Pharm (Israel) Ltd. and Panaxia Labs Israel, Ltd.
    - On June 5, 2020, the Issuer filed its financial statements and MD&A for the three month period ended March 31, 2020.
    - On June 10, 2020, the Issuer expressed its support for the announcement made by the Israeli government regarding the potential decriminalization of recreational cannabis.
    - On June 15, 2020, the Issuer announced signing a binding term sheet with MGC Pharmaceuticals Ltd. for the exclusive Israeli distribution rights of CannEpil®, a phytocannabinoid medicine for the treatment of refractory epilepsy, for a period of five years. The Issuer will be responsible for obtaining registration and commercialization permits in Israel.
    - On June 18, 2020 the Issuer announced that Focus Medical completed its first import of medical cannabis from an EU-GMP indoor cultivator of medical cannabis based in Canada. Focus Medical received approximately 200kg of medical cannabis.
    - On June 22, 2020, the Issuer provided a further update on the Israeli government's announcement regarding the potential decriminalization of recreational cannabis, noting that the legislative framework passed first reading with the Israeli Ministerial Committee on Legislation.
    - On June 24, 2020, the Issuer announced that a recent peer-reviewed study investigating the associations between phytocannabinoid treatment and migraine frequency indicated that two IMC-branded medical cannabis strains were effective in reducing long-term migraine frequency in over 60% of treated patients. The study was conducted by Professor Dedi Meiri of Technion - Israel Institute of Technology.
-

- On June 30, 2020, the Issuer announced that investors exercised 12,350,795 common share purchase warrants and broker compensation options which were to expire by June 27, 2020. This amounts to gross proceeds of approximately \$6.0 million and represents 92.1% of the warrants and broker compensation options expiring on or prior to June 27, 2020 - with the balance having expired.
- During June 2020 Adjupharm expanded its facility to include a high security vault room with capacity for up to 500 kg of cannabis flowers.
- During June 2020, Adjupharm sold 5,445g of dried cannabis directly to pharmacies in Germany.

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

**Management of the Issuer remains focused on identifying new strategic investments and growth opportunities in Israel and Europe, including, but not limited to, securing German and European supply and distribution agreements and sales and supply agreements in the local Israeli market.**

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

**Not Applicable**

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

**Not Applicable**

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

**The Issuer signed a binding term sheet with MGC to be the exclusive distributor of CannEpil®, as described in Item 1. MGC is not a Related Person of the Issuer.**

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

**Not Applicable**

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

**Not Applicable**

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

**Not Applicable**

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

**Not Applicable**

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

- **Pursuant to the Issuer's announcement on April 8, 2020, Amir Goldstein resigned as Chief Operating Officer of the Issuer effective June 22, 2020.**
- **Adjupharm hired an accountant to join its accounting department.**
- **The Issuer hired a bookkeeper to join its accounting department.**
- **The Issuer hired a legal advisor to join its legal department.**

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

**Not Applicable**

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

**Not Applicable**

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

**Not Applicable**

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

**The following securities were issued by the Issuer in June 2020:**

Security	Number Issued	Details of Issuance	Use of Proceeds <sup>(1)</sup>
Common Shares	4,737,955 670,170 186,670	Exercise of warrants Exercise of compensation options Exercise of stock options	\$2,237,918 to be used for working capital
Options	2,965,000	Granted on 9/6/2020 with an exercise price of \$1.00	Not applicable

*(1) State aggregate proceeds and intended allocation of proceeds.*

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

**Not Applicable**

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

**On June 5, 2020, the Issuer held a meeting of the board of directors (the "Board") at which it resolved to establish a compensation committee (the "Compensation Committee"). At the Board meeting, Marc Lustig, Vivian Bercovici and Steven Mintz were nominated to serve on the Compensation Committee, with Ms. Bercovici to act as chair.**

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

**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 Issuer's business in the coming months.**

**The Issuer has taken proactive measures in the early stages of the COVID- 19 pandemic to protect the health and safety of its employees, to continue delivering high quality medical cannabis to its patients and to maintain its strong balance sheet. The Issuer has postponed planned investments in innovation until global economic risks subside. The Issuer will focus on developing its brand in Germany by increasing volumes to medical patients in that market, adding supply and sales agreements in Israel, and reaching profitability in the near term.**

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While the precise impact of the COVID-19 outbreak on the Issuer remains unknown, rapid spread of COVID-19 and declaration of the outbreak as a global pandemic has 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 and around the world and could result in additional precautionary measures that could impact the Issuer'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, which could interrupt supplies and other services from third parties upon which the Issuer relies, decrease demand for products, 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 Issuer.

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### Certificate Of Compliance

The undersigned hereby certifies that:

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

Dated: July 8, 2020

Oren Shuster

\_\_\_\_\_  
Name of Director or Senior Officer

*"Oren Shuster"*

\_\_\_\_\_  
Signature

Chief Executive Officer

\_\_\_\_\_  
Official Capacity

<b>Issuer Details</b>	For Month End	Date of Report YY/MM/D
Name of Issuer	June 2020	2020/07/08
IM Cannabis Corp.		
Issuer Address		
550 Burrard Street, Suite 2300, Bentall 5		
City/Province/Postal Code Vancouver, BC V6C 2B5	Issuer Fax No. ( )	Issuer Telephone No. 0773-360-3504
Contact Name Yael Harrosh	Contact Position General Counsel and Business Manager	Contact Telephone No. 0773-360-3504
Contact Email Address yael.h@imcannabis.com	Web Site Address <a href="http://www.imcannabis.com/">http://www.imcannabis.com/</a>	

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**FORM 11****NOTICE OF PROPOSED STOCK OPTION GRANT OR AMENDMENT**

Name of Listed Issuer: IM Cannabis Corp. (the "Issuer").

Trading Symbol: IMCC

Date: August 4, 2020

**1. New Options Granted:**

Date of Grant: July 17, 2020

<b>Name of Optionee</b>	<b>Position (Director/ Officer/ Employee/ Consultant/ Management Company</b>	<b>Insider Yes or No?</b>	<b>No. of Optioned Shares</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>No. of Options Granted in Past 12 Months</b>
Stass Shlinik	Employee	No	40,000	\$1.45	July 17, 2025	0
Shaked Shuster	Employee	No	15,000	\$1.45	July 17, 2025	0
Prinit Dankner	Employee	No	50,000	\$1.45	July 17, 2025	0

Total Number of optioned shares proposed for acceptance: 105,000.**2. Other Presently Outstanding Options:**

<b>Name of Optionee</b>	<b>No. of Optioned Shares<sup>(1)</sup></b>	<b>Exercise Price</b>	<b>Original Date of Grant</b>	<b>Expiry Date</b>
Roy Kait	500,000	\$0.40	October 11, 2019	January 4, 2029
Oren Shuster	2,000,000	\$0.40	October 11, 2019	January 4, 2029
Rivka Stern	360,000	\$0.40	October 11, 2019	January 4, 2029
Ryan Walsh	360,000	\$0.40	October 11, 2019	September 11, 2029
Ben Brownstein	300,000	\$0.40	October 11, 2019	January 4, 2029
Liat Mika Noy	50,000	\$0.40	October 11, 2019	September 11, 2029
Amir Goldstein	833,333	\$0.40	October 11, 2019	January 4, 2029

**FORM 11 – NOTICE OF PROPOSED STOCK OPTION GRANT  
OR AMENDMENT**

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Marc Lustig	2,700,000	\$0.40	October 11, 2019	September 11, 2029
Merav Senior	66,670	\$0.40	October 11, 2019	January 4, 2029
Yael Harrosh	200,000	\$0.40	October 11, 2019	January 4, 2029
Sharon Karuz	10,000	\$0.40	October 11, 2019	January 4, 2029
Shiran Schwartz	3,333	\$0.40	October 11, 2019	January 4, 2029
Amir Dvora	300,000	\$0.40	October 11, 2019	February 3, 2029
Shai Shemesh	250,000	\$0.40	October 11, 2019	April 7, 2029
Ziva Kampinsky	10,000	\$0.40	October 11, 2019	May 13, 2029
Keren Reuveni	30,000	\$0.40	October 11, 2019	August 11, 2029
Mell Willson	30,000	\$0.40	October 11, 2019	August 11, 2029
Lior Holtzman	30,000	\$0.40	October 11, 2019	August 11, 2029
Shai Filo	30,000	\$0.40	October 11, 2019	August 11, 2029
Ben Gabai	30,000	\$0.40	October 11, 2019	August 11, 2029
Yoav Shiloni	30,000	\$0.40	October 11, 2019	August 11, 2029
Aviv Ben-Ami	30,000	\$0.40	October 11, 2019	August 11, 2029
Liz On	10,000	\$0.40	October 11, 2019	August 11, 2029
Lea-Shira Weizner	10,000	\$0.40	October 11, 2019	August 11, 2029
Omri Tzadok	10,000	\$0.40	October 11, 2019	August 11, 2029
Or Hilel	10,000	\$0.40	October 11, 2019	August 11, 2029
Korin Avrahami	10,000	\$0.40	October 11, 2019	August 11, 2029
Rotem Tzadok	10,000	\$0.40	October 11, 2019	August 11, 2029
Nitzan Shalem	10,000	\$0.40	October 11, 2019	August 11, 2029
Shai Goldin	10,000	\$0.40	October 11, 2019	August 11, 2029
Oded Natan	10,000	\$0.40	October 11, 2019	August 11, 2029
Richard Balla	360,000	\$0.40	October 11, 2019	July 30, 2029
Steven Mintz	1,000,000	\$0.40	October 11, 2019	September 11, 2029
Rafi Carasso	10,000	\$0.40	October 11, 2019	January 4, 2029
Tehila Cohen	10,000	\$0.40	October 11, 2019	September 11, 2029
Navjit Dhaliwal	25,000	\$1.05	October 11, 2019	October 9, 2022
Balu Gopalakrishnan	25,000	\$1.05	October 11, 2019	October 9, 2022
LodeRock Advisors Inc.	350,000	\$1.05	October 11, 2019	October 11, 2029
Oren Shuster	250,000	\$1.00	June 9, 2020	June 9, 2025
Shai Shemesh	150,000	\$1.00	June 9, 2020	June 9, 2025
Yaron Berger	500,000	\$1.00	June 9, 2020	June 9, 2025
Yael Harrosh	150,000	\$1.00	June 9, 2020	June 9, 2025
Roy Kait	120,000	\$1.00	June 9, 2020	June 9, 2025

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Doron Reznik	500,000	\$1.00	June 9, 2020	June 9, 2025
Ben Brownstein	25,000	\$1.00	June 9, 2020	June 9, 2025
Rivki Stern	100,000	\$1.00	June 9, 2020	June 9, 2025
Amir Dvora	25,000	\$1.00	June 9, 2020	June 9, 2025
Tomer Oved	75,000	\$1.00	June 9, 2020	June 9, 2025
Liat Noy	5,000	\$1.00	June 9, 2020	June 9, 2025
Sharon Krauz	5,000	\$1.00	June 9, 2020	June 9, 2025
Ziva Kampinsky	5,000	\$1.00	June 9, 2020	June 9, 2025
Sivan Adler	15,000	\$1.00	June 9, 2020	June 9, 2025
Sharon Rapoport	80,000	\$1.00	June 9, 2020	June 9, 2025
Yael Oz Carmon	90,000	\$1.00	June 9, 2020	June 9, 2025
Anna Taranko	75,000	\$1.00	June 9, 2020	June 9, 2025
Francesco Bisceglia	75,000	\$1.00	June 9, 2020	June 9, 2025
Vivian Bercovici	360,000	\$1.00	June 9, 2020	June 9, 2025
Refael Gabay	360,000	\$1.00	June 9, 2020	June 9, 2025

(1) Set out number of optioned shares for each grant with different terms.

### 3. Additional Information

- (a) If shareholder approval was required for the grant of options (including prior approval of a stock option plan), state the date that the shareholder meeting approving the grant was or will be held. **March 16, 2020**
- (b) State the date of the news release announcing the grant of options. **N/A**
- (c) State the total issued and outstanding share capital at the date of grant or amendment. **158,290,748 common shares**
- (d) State, as a percentage of the issued and outstanding shares of the Issuer indicated in (c) above, the aggregate number of shares that are subject to incentive stock options, including new options, amended options and other presently outstanding options. **8.3%**
- (e) If the new options are being granted pursuant to a stock option plan, state the number of remaining shares reserved for issuance under the plan. **2,735,739**

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## FORM 11 – NOTICE OF PROPOSED STOCK OPTION GRANT OR AMENDMENT

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- (f) If the Issuer has completed a public distribution of its securities within 90 days of the date of grant, state the per share price paid by the public investors. **N/A**
- (g) Describe the particulars of any proposed material changes in the affairs of the Issuer. **N/A**

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**FORM 11 – NOTICE OF PROPOSED STOCK OPTION GRANT  
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The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 11 Notice of Proposed Stock Option Grant or Amendment is true.

Dated August 4, 2020.

Oren Shuster

\_\_\_\_\_  
Name of Director or Senior Officer

*"Oren Shuster"*

\_\_\_\_\_  
Signature

Chief Executive Officer

\_\_\_\_\_  
Official Capacity

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FORM 7

**MONTHLY PROGRESS REPORT**

Name of Listed Issuer: IM Cannabis Corp. (the "Issuer").

Trading Symbol: IMCC

Number of Outstanding Listed Securities as of 31/7/2020:

158,650,378 Common Shares, 9,730,258 Warrants

Date: August 10, 2020

**Report on Business**

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.
    - **On July 6, 2020, the Issuer provided a review of the milestones it achieved in the second quarter of 2020, as well as an update on the Israeli and German markets.**
    - **On July 15, 2020, the Issuer announced that Adjupharm GmbH ("Adjupharm") received a binding purchase commitment from Zur Rose Pharma GmbH, making it the fourth binding purchase commitment received by Adjupharm.**
    - **On July 21, 2020 the Issuer announced that Adjupharm received three additional binding purchase commitments for the next twelve months from axicorp Group, canymed GmbH and Materia Deutschland GmbH. Adjupharm now has binding purchase commitments for the sale of an aggregate of 1,525kg of medical cannabis in Germany under the IMC brand.**
    - **On July 27, 2020, the Issuer announced that Focus Medical Herbs Ltd. ("Focus") had entered into a supply agreement with Israeli-based Ever Green Solomon Pharma Ltd. ("Ever Green") to purchase all of the medical cannabis produced by Ever Green from its 86,000 square foot facility in Moshav Sgula, Israel for a period of five years with an option for Focus Medical to extend the term an additional five years.**
    - **During July 2020, Adjupharm sold 560 grams of dried cannabis directly to pharmacies in Germany.**
  2. Provide a general overview and discussion of the activities of management.

**Management of the Issuer remains focused on identifying new strategic investments and growth opportunities in Israel and Europe, including, but not limited to, securing supply and distribution agreements in Germany, the Netherlands and the rest of Europe, and sales and supply agreements in the local Israeli market.**
-

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

**Not Applicable**

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

**Not Applicable**

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

- **Adjupharm received four binding purchase commitments from four distributors In Germany, as described in Item 1. The distributors are not Related Persons of the Issuer or Adjupharm.**

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

**Not Applicable**

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

**Not Applicable**

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

**Adjupharm received binding purchase commitments from four new distributors, as described in item 1.**

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

**Not Applicable**

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

**Not Applicable**

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

**Not Applicable**

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

**Not Applicable**

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

**Not Applicable**

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

**The following securities were issued by the Issuer in June 2020:**

Security	Number Issued	Details of Issuance	Use of Proceeds <sup>(1)</sup>
Common Shares	256,630 110,000	Exercise of compensation options Exercise of incentive stock options	\$316,611.50 to be used for working capital
Warrants	129,815	Issued as a result of broker compensation option exercises on July 27, 2020. Each warrant is exercisable for one Common Share at an exercise price of \$1.30 for a period of 36 months from August 30, 2019.	Not applicable.
Incentive Stock Options	105,000	Each Incentive Stock Option granted on July 17, 2020 is exercisable for one Common Share at an exercise price of \$1.45 for a period of five years from the grant date.	Not applicable

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*(1) State aggregate proceeds and intended allocation of proceeds.*

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

**On July 29, 2020, I.M.C. Holdings Ltd., a wholly-owned subsidiary of the Issuer, loaned €200,000 to Adjupharm, to be repaid within 2 years according to the loan agreement dated April 26, 2019 signed between the two parties.**

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

**Not Applicable.**

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

**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 Issuer's business in the coming months.**

**The Issuer has taken proactive measures during the COVID-19 pandemic to protect the health and safety of its employees, to continue delivering high quality medical cannabis to its patients and to maintain its strong balance sheet. The Issuer has postponed planned investments in innovation until global economic risks subside. The Issuer will focus on developing its brand in Germany by increasing volumes to medical patients in that market, adding supply and sales agreements in Israel, and reaching profitability in the near term.**

**While the precise impact of the COVID-19 outbreak on the Issuer remains unknown, rapid spread of COVID-19 and declaration of the outbreak as a global pandemic has 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 and around the world and could result in additional precautionary measures that could impact the Issuer'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, which could interrupt supplies and other services from third parties upon which the Issuer relies, decrease demand for products, 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 Issuer.**

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### Certificate Of Compliance

The undersigned hereby certifies that:

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

Dated: August 10, 2020

Oren Shuster

\_\_\_\_\_  
Name of Director or Senior Officer

*"Oren Shuster"*

\_\_\_\_\_  
Signature

Chief Executive Officer

\_\_\_\_\_  
Official Capacity

<b>Issuer Details</b>	For Month End	Date of Report YY/MM/D
Name of Issuer	July 2020	2020/08/10
IM Cannabis Corp.		
Issuer Address		
550 Burrard Street, Suite 2300, Bentall 5		
City/Province/Postal Code Vancouver, BC V6C 2B5	Issuer Fax No. ( )	Issuer Telephone No. 0773-360-3504
Contact Name Yael Harrosh	Contact Position General Counsel and Business Manager	Contact Telephone No. 0773-360-3504
Contact Email Address yael.h@imcannabis.com	Web Site Address <a href="http://www.imcannabis.com/">http://www.imcannabis.com/</a>	



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**FORM 5**

**QUARTERLY LISTING STATEMENT**

Name of Listed Issuer: IM Cannabis Corp (the "Issuer").

Trading Symbol: IMCC

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

**General Instructions**

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 - Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

**SCHEDULE A: FINANCIAL STATEMENTS**

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

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Refer to the Issuer's condensed interim consolidated financial statements for the period ended June 30, 2020 filed on SEDAR and posted on the Issuer's profile on the CSE website.

## **SCHEDULE B: SUPPLEMENTARY INFORMATION**

The supplementary information set out below must be provided when not included in Schedule A.

### **1. Related party transactions**

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

**Not Applicable.**

### **2. Summary of securities issued and options granted during the period.**

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

- (a) summary of securities issued during the period,

## **FORM 5 – QUARTERLY LISTING STATEMENT**

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Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
April 2020	Common shares	Exercise of warrants	113,520	\$0.283	\$32,126.16	Cash	N/A	Nil
April 2020	Common shares	Exercise of broker compensation options	173,100	\$0.40	\$69,240.00	Cash	N/A	Nil
May 2020	Common shares	Exercise of warrants	6,312,800	\$0.50	\$3,156,400	Cash	N/A	Nil
May 2020	Common shares	Exercise of broker compensation options	343,250	\$0.40	\$137,300	Cash	N/A	Nil
June 2020	Common shares	Exercise of warrants	4,737,955	\$0.50	\$2,368,977.50	Cash	N/A	Nil
June 2020	Common shares	Exercise of broker compensation options	670,170	\$0.40	\$268,068	Cash	N/A	Nil
June 2020	Common shares	Exercise of options	196,670	\$0.40	\$79,000	Cash	N/A	Nil

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant
June 9, 2020	1,195,000		Employees & Consultants	\$1.00	June 9, 2025	\$1.00
June 9, 2020	250,000	Oren Shuster, Director and Officer		\$1.00	June 9, 2025	\$1.00
June 9, 2020	360,000	Refael Gabay, Director		\$1.00	June 9, 2025	\$1.00
June 9, 2020	360,000	Vivian Bercovici, Director		\$1.00	June 9, 2025	\$1.00

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June 9, 2020	150,000	Shai Shemesh, Officer		\$1.00	June 9, 2025	\$1.00
June 9, 2020	500,000	Yaron Berger, Officer		\$1.00	June 9, 2025	\$1.00
June 9, 2020	150,000	Yael Harrosh, Officer		\$1.00	June 9, 2025	\$1.00

**3. Summary of securities as at the end of the reporting period.**

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

**The Issuer has authorized an unlimited number of common shares.**

- (b) number and recorded value for shares issued and outstanding,

**158,290,748 common shares of the Issuer were issued and outstanding as at the end of the reporting period.**

- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

Securities	Number Outstanding
Options	12,908,340
Warrants <sup>(1)</sup>	9,730,235
Broker Compensation Options <sup>(2)</sup>	1,199,326 <sup>(3)</sup>

Notes:

- (1) 9,730,235 warrants are exercisable for one common share at an exercise price of \$1.30 per share for a period of 24 months from the date of issuance.  
(2) 1,199,326 broker compensation options are exercisable for one unit at an exercise price of \$1.05 per unit for a period of 36 months following the date of issuance. Each unit consists of one compensation common share and one-half of one compensation warrant, with each whole compensation warrant exercisable to acquire one common share at a price of \$1.30 for a period of 36 months following the date of issuance.  
(3) Calculated on a fully diluted basis.
- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

**Not applicable.**

**FORM 5 – QUARTERLY LISTING STATEMENT**

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4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Name	Title
Oren Shuster	Chief Executive Officer and Director
Marc Lustig	Director and Non-Executive Chairman
Steven Mintz	Director
Rafael Gabay	Director
Vivian Bercovici	Director
Shai Shemesh	Chief Financial Officer
Yael Harrosh	Corporate Secretary and General Counsel
Richard Balla	Chief Executive Officer, Adjupharm GmbH

**SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS**

Provide Interim MD&A if required by applicable securities legislation.

Refer to the Issuer's management discussion and analysis for the period ended June 30, 2020 filed on SEDAR and posted on the Issuer's profile on the CSE website.

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**FORM 5 – QUARTERLY LISTING STATEMENT**

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**Certificate Of Compliance**

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated: September 8, 2020.

Shai Shemesh

Name of Director or Senior Officer

"Shai Shemesh"

Signature

Chief Financial Officer

Official Capacity

<b>Issuer Details</b>	For Quarter End June 30, 2020	Date of Report 2020/09/08
Name of Issuer		
IM Cannabis Corp.		
Issuer Address		
550 Burrard Street, Suite 2300, Bentall 5		
City/Province/Postal Code Vancouver, BC V6C 2B5	Issuer Fax No. ( )	Issuer Telephone No. ( )
Contact Name Yael Harrosh	Contact Position Business and Compliance Manager	Contact Telephone No.
Contact Email Address yael.h@imcannabis.com	Web Site Address <a href="http://www.imcannabis.com/">http://www.imcannabis.com/</a>	

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FORM 7

**MONTHLY PROGRESS REPORT**

Name of Listed Issuer: IM Cannabis Corp. (the "Issuer").

Trading Symbol: IMCC

Number of Outstanding Listed Securities as of 31/8/2020: 158,650,878 Common Shares, 9,729,758 Warrants

Date: September 8, 2020

**Report on Business**

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

- **On August 26, 2020, the Issuer filed its financial statements and MD&A for the three and six months ending June 30, 2020.**
- **During August 2020, the Issuer's German subsidiary, Adjupharm GmbH ("Adjupharm") sold 1,620 grams of dried cannabis directly to pharmacies in Germany.**

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

**Management of the Issuer remains focused on identifying new strategic investments and growth opportunities in Israel and Europe, including, but not limited to, securing supply and distribution agreements in Germany, and the rest of Europe, and sales and supply agreements in the local Israeli market.**

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

**During August 2020, Adjupharm started offering repackaging and labelling services for medical cannabis products through its EU-GMP facility in Germany.**

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

**Not Applicable.**

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5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

**Not Applicable.**

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

**Not applicable.**

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

**Not Applicable.**

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

**Not Applicable.**

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

**Adjupharm obtained a new EU-GMP manufacturing license that includes the ability to offer repackaging and labelling of medical cannabis products.**

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

**The Issuer terminated the employment of its assistant general counsel.**

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

**Not Applicable.**

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

**Not Applicable.**

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

**Not Applicable.**

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

**The following securities were issued by the Issuer in August 2020:**

Security	Number Issued	Details of Issuance	Use of Proceeds <sup>(1)</sup>
Common shares	500	<u>Exercise of warrants</u>	\$650 - working capital

*(1) State aggregate proceeds and intended allocation of proceeds.*

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

**Not Applicable.**

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

**Not Applicable.**

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

**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 Issuer's business in the coming months.**

**The Issuer has taken proactive measures during the COVID-19 pandemic to protect the health and safety of its employees, to continue delivering high quality medical cannabis to its patients and to maintain its strong balance sheet. The Issuer has postponed planned investments in innovation until global economic risks subside. The Issuer will focus on developing its brand in Germany by increasing volumes to medical patients in that market, adding supply and sales agreements in Israel, and reaching profitability in the near term.**

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While the precise impact of the COVID-19 outbreak on the Issuer remains unknown, rapid spread of COVID-19 and declaration of the outbreak as a global pandemic has 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 and around the world and could result in additional precautionary measures that could impact the Issuer'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, which could interrupt supplies and other services from third parties upon which the Issuer relies, decrease demand for products, 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 Issuer.

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## Certificate Of Compliance

The undersigned hereby certifies that:

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

Dated: September 8, 2020

Oren Shuster  
Name of Director or Senior Officer

*"Oren Shuster"*  
Signature

Chief Executive Officer  
Official Capacity

<b>Issuer Details</b>		For Month End August 2020	Date of Report YY/MM/D 2020/09/08
Name of Issuer			
IM Cannabis Corp.			
Issuer Address			
550 Burrard Street, Suite 2300, Bentall 5			
City/Province/Postal Code Vancouver, BC V6C 2B5		Issuer Fax No. ( )	Issuer Telephone No. 0773-360-3504
Contact Name Yael Harrosh		Contact Position General Counsel and Business Manager	Contact Telephone No. 0773-360-3504
Contact Email Address yael.h@imcannabis.com		Web Site Address <a href="http://www.imcannabis.com/">http://www.imcannabis.com/</a>	

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FORM 7

**MONTHLY PROGRESS REPORT**

Name of Listed Issuer: IM Cannabis Corp. (the "Issuer"). Trading Symbol: IMCC

Number of Outstanding Listed Securities as of 30/9/2020: 158,650,878 Common Shares, 9,729,758 Warrants

Date: October 6, 2020

**Report on Business**

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.
  - On September 15, 2020, the Issuer announced that Adjupharm GmbH ("Adjupharm") received the first commercial shipment of medical cannabis from its EU-GMP supply partner. The shipment was cleared by the German regulator for distribution to Adjupharm's distribution partners in Germany under the IMC brand. Also, the Issuer announced that Adjupharm signed three distribution agreements with Cansativa GmbH, Ilios Sante GmbH and Farmako GmbH (the "New Distributors"), to distribute IMC-branded cannabis products to pharmacies across Germany.
  - On September 23, 2020, the Issuer announced that Adjupharm officially launched sales of IMC-branded products in Germany. Also, the Issuer announced that Adjupharm received three additional binding purchase commitments from the New Distributors. At the time of the press release, Adjupharm had binding purchase commitments for the sale of an aggregate of 1,615kg of medical cannabis in Germany under the IMC brand.
  - On September 29th, pursuant to a share purchase agreement with Xinteza API Ltd. ("Xinteza") dated December 26, 2019, the Issuer made a USD\$500,000 investment in Xinteza, representing the final instalment of its USD\$1.7M total investment. As a result, the Issuer now holds 25.37% of the outstanding common shares of Xinteza.
  - During September 2020, Adjupharm sold 1,860 grams of IMC-branded dried cannabis directly to pharmacies in Germany, and 66,390 grams of IMC-branded dried cannabis to its distribution partners.
2. Provide a general overview and discussion of the activities of management.

**Management of the Issuer remains focused on identifying new strategic investments and growth opportunities in Israel and Europe, including, but not limited to, securing supply and distribution agreements in Germany, the Netherlands and the rest of Europe, and sales and supply agreements in the local Israeli market.**

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

**Not Applicable**

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

**Not Applicable**

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

**The Issuer announced that Adjupharm officially launched sales of IMC- branded products in Germany through its distribution partners, as described in item 1 above. The distribution partners are not Related Persons of the Issuer.**

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

**The Issuer terminated its agreement with Ben Horin & Alexandrovitz Ltd., an Israeli agency that specializes in strategic-media consultancy, crisis management and public relations. The termination was effective as of September 26, 2020.**

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

**On September 29th, pursuant to a share purchase agreement with Xinteza API Ltd. ("Xinteza") dated December 26, 2019, the Issuer made a USD\$500,000 investment in Xinteza, representing the final instalment of its USD\$1.7M total investment. As a result, the Issuer now holds 25.37% of the outstanding common shares of Xinteza.**

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

**The Issuer announced that Adjupharm signed three distribution agreements with the New Distributors and received three binding purchase commitments, as described in item 1 above.**

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

**Not Applicable**

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

**Not Applicable**

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

**Not Applicable**

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

**Not Applicable**

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

**Not Applicable**

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

**The following securities were issued by the Issuer in September 2020:**

Security	Number Issued	Details of Issuance	Use of Proceeds <sup>(1)</sup>
Not Applicable			

*(1) State aggregate proceeds and intended allocation of proceeds.*

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

**On September 2020, I.M.C. Holdings Ltd., a wholly-owned subsidiary of the Issuer, loaned €200,000 to Adjupharm, to be repaid within 2 years according to a loan agreement dated April 26, 2019.**

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

**Not Applicable**

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

**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 Issuer's business in the coming months.**

**The Issuer has taken proactive measures in the early stages of the COVID- 19 pandemic to protect the health and safety of its employees, to continue delivering high quality medical cannabis to its patients and to maintain its strong balance sheet. The Issuer has postponed planned investments in innovation until global economic risks subside. The Issuer will focus on developing its brand in Germany by increasing volumes to medical patients in that market, adding supply and sales agreements in Israel, and reaching profitability in the near term.**

**While the precise impact of the COVID-19 outbreak on the Issuer remains unknown, rapid spread of COVID-19 and declaration of the outbreak as a global pandemic has 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 and around the world and could result in additional precautionary measures that could impact the Issuer'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, which could interrupt supplies and other services from third parties upon which the Issuer relies, decrease demand for products, 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 Issuer.**

---

## Certificate Of Compliance

The undersigned hereby certifies that:

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

Dated: October 6, 2020

Oren Shuster

Name of Director or Senior Officer

*"Oren Shuster"*

Signature

Chief Executive Officer

Official Capacity

<b>Issuer Details</b>	For Month End September 2020	Date of Report YY/MM/DD 2020/10/06
Name of Issuer		
IM Cannabis Corp.		
Issuer Address		
550 Burrard Street, Suite 2300, Bentall 5		
City/Province/Postal Code Vancouver, BC V6C 2B5	Issuer Fax No. (     )	Issuer Telephone No. 0773-360-3504
Contact Name Yael Harrosh	Contact Position General Counsel and Business Manager	Contact Telephone No. 0773-360-3504
Contact Email Address yael.h@imcannabis.com	Web Site Address <a href="http://www.imcannabis.com/">http://www.imcannabis.com/</a>	



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FORM 7

**MONTHLY PROGRESS REPORT**

Name of Listed Issuer: IM Cannabis Corp. (the "Issuer").

Trading Symbol: IMCC

Number of Outstanding Listed Securities as of 30/11/2020:

158,715,103 Common Shares, 9,729,258 Warrants

Date: December 7, 2020

**Report on Business**

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.
  - **On November 16, 2020, the Issuer announced that the Israeli government committee responsible for advancing cannabis market reform published a report concluding that it supports and recommends the legalization of adult-use recreational cannabis in Israel (the "Report"). Based on the Report, the Israeli Ministry of Justice is expected to formulate a bill to begin the legislative process towards the legalization of adult-use recreational cannabis.**
  - **On November 27, 2020, the Issuer filed its financial statements and MD&A for the three and nine months ended September 30, 2020, which included the following highlights:**
    - **consolidated revenues were 57% higher in the three months ended September 30, 2020 than the previous quarter, and 153% higher than the three months ended September 30, 2019;**
    - **the Issuer realized a 57% gross margin before fair value; and**
    - **the Issuer earned \$0.3 million in adjusted EBITDA, marking the Issuer's first quarter of positive adjusted EBITDA.**
  - **On October 8, 2020, the Issuer announced that it had applied to cross-list its common shares (the "Common Shares") on the NASDAQ Capital Market under the trading symbol "IMCC" (the "NASDAQ Listing Application").**
2. Provide a general overview and discussion of the activities of management.

**Management of the Issuer remains focused on identifying new strategic investments and growth opportunities in Israel and Europe, including, but not limited to, securing supply and distribution agreements in Germany, the Netherlands and the rest of Europe, and sales and supply agreements in the local Israeli market.**

---

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

**Not Applicable.**

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

**Not Applicable.**

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

- **On November 15, 2020, the Issuer engaged LaunchPad Partners LLC ("LaunchPad"), a full-scale media company, in order to help it increase investor awareness through content creation, social media and press release support. The engagement is for a three-month period, ending on February 2021. LaunchPad is not a Related Person to the Issuer.**
- **On November 18, 2020, the Issuer engaged Continental Stock Transfer & Trust Company ("Continental") to act as its United States co-transfer agent for the Issuer's securities in connection with the NASDAQ Listing Application. Continental is not a Related Person to the Issuer.**

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

**On November 24, 2020, the supply agreement between Cannation and Focus Medical Herbs Ltd. ("Focus Medical"), an Israeli licensed medical cannabis producer with whom the Issuer has an exclusive commercial agreement, was terminated as milestones under the agreement expired.**

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

**On November 17, 2020, Société Amig Navasota International S.A.R.L. and Societe Guineenne de Fer et de Bauxite S.A.R.L. were dissolved. Both entities were inactive Guinea subsidiaries of the Issuer.**

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

**Not Applicable.**

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

**Not Applicable.**

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

**Adjupharm hired a pharmacist for the position of quality manager.**

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

**Not Applicable.**

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

**Not Applicable.**

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

**Not Applicable.**

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

**The following securities were issued by the Issuer in November 2020:**

Security	Number Issued	Details of Issuance	Use of Proceeds <sup>(1)</sup>
Common Shares	38,725	Exercise of broker compensation options	\$40,661 to be used for working capital
Warrants	19,362	Issued as a result of broker compensation option exercises on November 5, 2020. Each warrant is exercisable for one Common Share of the Issuer at an exercise price of \$1.30 for a period of 36 months from August 30, 2019.	Not applicable.

*(1) State aggregate proceeds and intended allocation of proceeds.*

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

**On November 11, 2020, I.M.C. Holdings Ltd. ("IMC Holdings"), a wholly-owned subsidiary of the Issuer, loaned €300,000 to Adjupharm, to be repaid within 2 years pursuant to a loan agreement dated April 26, 2019. Both IMC Holdings and Adjupharm are Related Persons of the Issuer, each by virtue of being a Related Entity.**

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

**On November 26, 2020, the board of directors of the Issuer established a corporate governance and nominating committee (the "Committee") and appointed Marc Lustig, Vivian Bercovici and Oren Shuster as members of the Committee.**

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

**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 Issuer's business in the coming months.**

**The Issuer has taken proactive measures to protect the health and safety of its employees, to continue delivering high quality medical cannabis to its patients and to maintain its strong balance sheet. The Issuer has postponed planned investments in innovation until global economic risks subside. The Issuer keep on focusing on developing its brand in Germany by increasing volumes to medical patients in that market, adding supply and sales agreements in Israel.**

**While the precise impact of the COVID-19 outbreak on the Issuer remains unknown, rapid spread of COVID-19 and declaration of the outbreak as a global pandemic has 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 around the world and could result in additional precautionary measures that could impact the Issuer'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, which could interrupt supplies and other services from third parties upon which the Issuer relies, decrease demand for products, 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 Issuer.**

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### Certificate Of Compliance

The undersigned hereby certifies that:

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

Dated: December 7, 2020

Oren Shuster

Name of Director or Senior Officer

*"Oren Shuster"*

Signature

Chief Executive Officer

Official Capacity

<b>Issuer Details</b>		For Month End	Date of Report
Name of Issuer		November 2020	YY/MM/D
IM Cannabis Corp.			2020/12/07
Issuer Address			
550 Burrard Street, Suite 2300, Bentall 5			
City/Province/Postal Code		Issuer Fax No.	Issuer Telephone No.
Vancouver, BC V6C 2B5		( )	0773-360-3504
Contact Name		Contact Position	Contact Telephone No.
Yael Harrosh		General Counsel and Business Manager	0773-360-3504
Contact Email Address		Web Site Address	
yael.h@imcannabis.com		<a href="http://www.imcannabis.com/">http://www.imcannabis.com/</a>	

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**FORM 5**

**QUARTERLY LISTING STATEMENT**

Name of Listed Issuer: IM Cannabis Corp (the "Issuer").

Trading Symbol: IMCC

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

**General Instructions**

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 - Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

**SCHEDULE A: FINANCIAL STATEMENTS**

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

**FORM 5 – QUARTERLY LISTING STATEMENT**

January 2015

Page 1

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Refer to the Issuer's condensed interim consolidated financial statements for the period ended September 30, 2020 filed on SEDAR and posted on the Issuer's profile on the CSE website.

## SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

### 1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

During the third quarter of 2020, I.M.C. Holdings Ltd. ("IMC Holdings") loaned €400,000 to Adjupharm GmbH ("Adjupharm"), to be repaid within 2 years according to the loan agreement dated April 26, 2019 signed between the two parties. Both IMC Holdings and Adjupharm are Related Persons of the Issuer, each by virtue of being a Related Entity.

### 2. Summary of securities issued and options granted during the period.

#### FORM 5 – QUARTERLY LISTING STATEMENT

January 2015

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Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

(a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
July 3, 2020	Common shares	Exercise of incentive stock options	10,000	\$0.40	\$4,000	Cash	N/A	Nil
July 24, 2020	Common shares	Exercise of incentive stock options	100,000	\$0.40	\$40,000	Cash	N/A	Nil
July 28, 2020	Common shares	Exercise of broker compensation options	259,630	\$1.05	\$272,611.50	Cash	N/A	Nil
July 28, 2020	Warrants	Issued as a result of broker compensation option exercises on July 28, 2020.	129,815	N/A	N/A	N/A	N/A	Nil
August 13, 2020	Common shares	Exercise of warrants	500	\$ 1.30	\$650	Cash	N/A	Nil

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant
July 17, 2020	105,000	N/A	Employees	\$1.45	July 17, 2025	\$1.45

**FORM 5 – QUARTERLY LISTING STATEMENT**

January 2015

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3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,  
**The Issuer has authorized an unlimited number of common shares.**
- (b) number and recorded value for shares issued and outstanding,  
**158,650,878 common shares of the Issuer (valued at \$190,381,054) were issued and outstanding as at the end of the reporting period.**
- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

Securities	Number Outstanding	Exercise Price	Expiry Date
Incentive Stock Options	50,000	\$1.05	October 9, 2022
	2,885,000	\$1.00	June 9, 2025
	55,000	\$1.45	July 17, 2025
	4,102,750	\$0.40	January 4, 2029
	300,000	\$0.40	February 3, 2029
	250,000	\$0.40	April 7, 2029
	10,000	\$0.40	May 13, 2029
	360,000	\$0.40	July 30, 2029
	300,000	\$0.40	August 11, 2029
	4,120,000	\$0.40	September 11, 2029
	350,000	\$1.05	October 11, 2029
TOTAL	12,782,750		
Warrants	9,859,573	\$1.30	October 11, 2022
Broker Compensation Options	939,696	\$1.05	August 30, 2022

- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

Not applicable.

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Name	Title
Oren Shuster	Chief Executive Officer and Director
Marc Lustig	Director and Non-Executive Chairman
Steven Mintz	Director
Rafael Gabay	Director
Vivian Bercovici	Director
Shai Shemesh	Chief Financial Officer
Yael Harrosh	Corporate Secretary and General Counsel
Richard Balla	Chief Executive Officer, Adjupharm GmbH

FORM 5 – QUARTERLY LISTING STATEMENT

January 2015

Page 5

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## SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

Refer to the Issuer's management discussion and analysis for the period ended September 30, 2020 filed on SEDAR and posted on the Issuer's profile on the CSE website.

### Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated: December 7, 2020.

Shai Shemesh

Name of Director or Senior Officer

"Shai Shemesh"

Signature

Chief Financial Officer

Official Capacity

<b>Issuer Details</b> Name of Issuer IM Cannabis Corp.	For Quarter End September 30, 2020	Date of Report 2020/12/07
Issuer Address  550 Burrard Street, Suite 2300, Bentall 5		
City/Province/Postal Code Vancouver, BC V6C 2B5	Issuer Fax No. N/A	Issuer Telephone No. 0773-360-3504

### FORM 5 – QUARTERLY LISTING STATEMENT

January 2015

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Contact Name Yael Harrosh	Contact Position Business and Compliance Manager	Contact Telephone No. 0773-360-3504
Contact Email Address yael.h@imcannabis.com	Web Site Address <a href="http://www.imcannabis.com/">http://www.imcannabis.com/</a>	

**FORM 5 – QUARTERLY LISTING STATEMENT**

January 2015

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**FORM 11****NOTICE OF PROPOSED STOCK OPTION GRANT OR AMENDMENT**

Name of Listed Issuer: IM Cannabis Corp. (the "Issuer").

Trading Symbol: IMCC

Date: December 17, 2020

**1. New Options Granted:**

Date of Grant: December 15, 2020

<b>Name of Optionee</b>	<b>Position (Director/ Officer/ Employee/ Consultant/ Management Company)</b>	<b>Insider Yes or No?</b>	<b>No. of Optioned Shares</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>No. of Options Granted in Past 12 Months</b>
Shimrit Pitchon	Consultant	No	10,000	\$2.14	December 15, 2025	0
Yael Asael	Consultant	No	20,000	\$2.14	December 15, 2025	0
Dana Epstein	Consultant	No	20,000	\$2.14	December 15, 2025	0
Daniel Saperson	Consultant	No	5,000	\$2.14	December 15, 2025	0
Ishai Safian	Employee	No	15,000	\$2.14	December 15, 2025	0

Total Number of optioned shares proposed for acceptance: 70,000.**FORM 11 – NOTICE OF PROPOSED STOCK OPTION GRANT OR AMENDMENT**

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**2. Other Presently Outstanding Options:**

<b>Name of Optionee</b>	<b>No. of Optioned Shares<sup>(1)</sup></b>	<b>Exercise Price</b>	<b>Original Date of Grant</b>	<b>Expiry Date</b>
Olaf Rosenthal	50,000	\$1.78	October 23, 2020	October 23, 2025
Christian Hauck	50,000	\$1.78	October 23, 2020	October 23, 2025
Yuval Nachshon	15,000	\$1.78	October 23, 2020	October 23, 2025
Bar Abelis	15,000	\$1.78	October 23, 2020	October 23, 2025
Stass Shliniik	40,000	\$1.45	July 17, 2020	July 17, 2025
Shaked Shuster	15,000	\$1.45	July 17, 2020	July 17, 2025
Yaron Berger	500,000	\$1.00	June 9, 2020	June 9, 2025
Doron Reznik	500,000	\$1.00	June 9, 2020	June 9, 2025
Tomer Oved	75,000	\$1.00	June 9, 2020	June 9, 2025
Sivan Adler	15,000	\$1.00	June 9, 2020	June 9, 2025
Yael Oz Carmon	90,000	\$1.00	June 9, 2020	June 9, 2025
Anna Taranko	75,000	\$1.00	June 9, 2020	June 9, 2025
Francesco Bisceglia	75,000	\$1.00	June 9, 2020	June 9, 2025
Vivian Bercovici	360,000	\$1.00	June 9, 2020	June 9, 2025
Refael Gabay	360,000	\$1.00	June 9, 2020	June 9, 2025
Roy Kait	120,000	\$1.00	June 9, 2020	June 9, 2025
Oren Shuster	250,000	\$1.00	June 9, 2020	June 9, 2025
Rivka Stern	100,000	\$1.00	June 9, 2020	June 9, 2025
Ben Brownstein	25,000	\$1.00	June 9, 2020	June 9, 2025
Liat Mika Noy	5,000	\$1.00	June 9, 2020	June 9, 2025
Yael Harrosh	150,000	\$1.00	June 9, 2020	June 9, 2025
Sharon Karuz	5,000	\$1.00	June 9, 2020	June 9, 2025
Amir Dvora	25,000	\$1.00	June 9, 2020	June 9, 2025
Shai Shemesh	150,000	\$1.00	June 9, 2020	June 9, 2025
Ziva Kampinsky	5,000	\$1.00	June 9, 2020	June 9, 2025
Amir Goldstein	832,750	\$0.40	October 11, 2019	January 4, 2029
Roy Kait	500,000	\$0.40	October 11, 2019	January 4, 2029
Oren Shuster	2,000,000	\$0.40	October 11, 2019	January 4, 2029
Rivka Stern	159,900	\$0.40	October 11, 2019	January 4, 2029
Ryan Walsh	360,000	\$0.40	October 11, 2019	September 11, 2029
Ben Brownstein	300,000	\$0.40	October 11, 2019	January 4, 2029
Liat Mika Noy	50,000	\$0.40	October 11, 2019	September 11, 2029

**FORM 11 – NOTICE OF PROPOSED STOCK OPTION GRANT OR AMENDMENT**

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Marc Lustig	2,700,000	\$0.40	October 11, 2019	September 11, 2029
Yael Harrosh	200,000	\$0.40	October 11, 2019	January 4, 2029
Sharon Karuz	10,000	\$0.40	October 11, 2019	January 4, 2029
Amir Dvora	300,000	\$0.40	October 11, 2019	February 3, 2029
Shai Shemesh	250,000	\$0.40	October 11, 2019	April 7, 2029
Ziva Kampinsky	10,000	\$0.40	October 11, 2019	May 13, 2029
Keren Reuveni	30,000	\$0.40	October 11, 2019	August 11, 2029
Mell Willson	30,000	\$0.40	October 11, 2019	August 11, 2029
Lior Holtzman	30,000	\$0.40	October 11, 2019	August 11, 2029
Shai Filo	30,000	\$0.40	October 11, 2019	August 11, 2029
Ben Gabai	30,000	\$0.40	October 11, 2019	August 11, 2029
Yoav Shiloni	30,000	\$0.40	October 11, 2019	August 11, 2029
Aviv Ben-Ami	30,000	\$0.40	October 11, 2019	August 11, 2029
Liz On	10,000	\$0.40	October 11, 2019	August 11, 2029
Lea-Shira Weizner	5,831	\$0.40	October 11, 2019	August 11, 2029
Omri Tzadok	10,000	\$0.40	October 11, 2019	August 11, 2029
Or Hilel	10,000	\$0.40	October 11, 2019	August 11, 2029
Korin Avrahami	10,000	\$0.40	October 11, 2019	August 11, 2029
Rotem Tzadok	10,000	\$0.40	October 11, 2019	August 11, 2029
Nitzan Shalem	10,000	\$0.40	October 11, 2019	August 11, 2029
Shai Goldin	10,000	\$0.40	October 11, 2019	August 11, 2029
Oded Natan	10,000	\$0.40	October 11, 2019	August 11, 2029
Richard Balla	150,000	\$0.40	October 11, 2019	July 30, 2029
Steven Mintz	1,000,000	\$0.40	October 11, 2019	September 11, 2029
Tehila Cohen	10,000	\$0.40	October 11, 2019	September 11, 2029
Balu Gopalakrishnan	16,000	\$1.05	October 11, 2019	October 9, 2022
LodeRock Advisors Inc.	350,000	\$1.05	October 11, 2019	October 11, 2029

**FORM 11 – NOTICE OF PROPOSED STOCK OPTION GRANT OR AMENDMENT**

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(1) Set out number of optioned shares for each grant with different terms.

**3. Additional Information**

- (a) If shareholder approval was required for the grant of options (including prior approval of a stock option plan), state the date that the shareholder meeting approving the grant was or will be held. **March 16, 2020**
- (b) State the date of the news release announcing the grant of options. **N/A**
- (c) State the total issued and outstanding share capital at the date of grant or amendment. **159,063,128 common shares**
- (d) State, as a percentage of the issued and outstanding shares of the Issuer indicated in (c) above, the aggregate number of shares that are subject to incentive stock options, including new options, amended options and other presently outstanding options. **7.94%**
- (e) If the new options are being granted pursuant to a stock option plan, state the number of remaining shares reserved for issuance under the plan. **3,271,831**
- (f) If the Issuer has completed a public distribution of its securities within 90 days of the date of grant, state the per share price paid by the public investors. **N/A**
- (g) Describe the particulars of any proposed material changes in the affairs of the Issuer. **N/A**

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(h) If the new options are being granted pursuant to a stock option plan, state the number of remaining shares reserved for issuance under the plan. **3,271,831**

#### 4. **Certificate of Compliance**

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 11 Notice of Proposed Stock Option Grant or Amendment is true.

Dated December 17 2020.

Oren Shuster

Name of Director or Senior Officer

"Oren Shuster"

Signature

Chief Executive Officer

Official Capacity

#### **FORM 11 – NOTICE OF PROPOSED STOCK OPTION GRANT OR AMENDMENT**

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FORM 7

**MONTHLY PROGRESS REPORT**

Name of Listed Issuer: IM Cannabis Corp. (the "Issuer").

Trading Symbol: IMCC

Number of Outstanding Listed Securities as of 31/12/2020:

159,063,128 Common Shares, 9,729,258 Warrants

Date: January 8, 2021

**Report on Business**

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.
- **On December 16, 2020, the Issuer held a special meeting of shareholders (the "Special Meeting"). At the Special Meeting, shareholders of the Issuer approved all items of business put forward, including:**
  - the authorization of a consolidation of the Issuer's outstanding common shares at a ratio of between (3) and (8) pre-consolidation common shares for every one (1) post-consolidation common share, to be completed as, when and if determined by the Issuer's board of directors (the "Board");
  - approval of the Issuer's amended and restated stock option plan; and
  - approval of the Issuer's restricted share unit plan.
- **On December 17, 2020, the Issuer provided an update on the application to list the Issuer's common shares on the NASDAQ Capital Market ("NASDAQ"), and that approval for listing was expected in early 2021, subject to the Issuer's ability to meet all of the NASDAQ's listing requirements and all requirements of the United States Securities and Exchange Commission.**
- **On December 29, 2020, the Issuer appointed Marc Lustig as Executive Chairman. Mr. Lustig was previously the Non-Executive Chairman of the Issuer.**

On December 30, 2020, the Issuer and Trichome Financial Corp. ("Trichome") (CSE:TFC) entered into a definitive agreement (the "Arrangement Agreement") whereby the Issuer will acquire Trichome by way of a court-approved plan of arrangement under the *Business Corporations Act (Ontario)* (the "Transaction"). Under the terms of the Arrangement Agreement, the Issuer will acquire all of Trichome's outstanding common shares in exchange for common shares of the Issuer based on a share exchange ratio of 0.981 common shares of the Issuer for each common share of Trichome. The completion of the Transaction is expected to create a global cannabis production and distribution leader with operations in Israel and Germany's medical cannabis markets under the IMC brand, and in Canada's adult-use recreational market through Trichome's wholly-owned subsidiary, Trichome JWC Acquisition Corp. d/b/a JWC. Closing of the Transaction is subject to the receipt of all requisite shareholder, court and regulatory approvals.

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

**Management of the Issuer is focused on continuing its acquisition strategy in North America and Europe, while also identifying new strategic investments and growth opportunities in Israel and Europe, including, but not limited to, securing supply and distribution agreements in Germany and the rest of Europe, and sales and supply agreements in the local Israeli market. As part of this strategy, the Issuer anticipates that it will meet all closing conditions required to complete the Transaction.**

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

**Not Applicable.**

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

**Not Applicable.**

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

- **On December 29, 2020, the Issuer entered into a consulting agreement with L5 Capital Inc. (the "Consultant"), a corporation incorporated under the laws of the Province of British Columbia. The Consultant entity is owned and controlled by Marc Lustig, a Related Person to the Issuer. Mr. Lustig is a director and the Executive Chairman of the Issuer.**
  - **On December 30, 2020, the Issuer entered into the Arrangement Agreement, as further described under section 1 above. Trichome is not a Related Person to the Issuer.**
  - **On December 31, 2020, Focus entered into a three-year distribution agreement with Novolog (Pharm-up 1966) Ltd. (the "Distribution Agreement" and the "Distributor", respectively). Under the Distribution Agreement, the Distributor will be responsible for storing and distributing the Issuer's branded medical cannabis products that are sold by Focus to licensed pharmacies in Israel for an agreed upon distribution fee. The Distributor is not a Related Person to the Issuer.**
-

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

**Not applicable.**

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

**On December 30, 2020, the Issuer entered into the Arrangement Agreement as further described under section 1 above. Trichome is not a Related Person to the Issuer.**

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

**Not Applicable.**

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

**Not Applicable.**

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

**Not Applicable.**

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

**Not Applicable.**

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

**Not Applicable.**

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

**Not Applicable.**

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

**The following securities were issued by the Issuer in December 2020:**

Security	Number Issued	Details of Issuance	Use of Proceeds <sup>(1)</sup>
Common Shares	28,925	Exercise of broker compensation options	\$30,371 to be used for working capital
	319,100	Exercise of incentive stock options	\$133,490 to be used for working capital
Warrants	14,462	Issued as a result of broker compensation option exercises on December 3, 2020. Each warrant is exercisable for one common share of the Issuer at an exercise price of \$1.30 for a period of 36 months from August 30, 2019.	Not applicable.
Incentive Stock Options	70,000	Each incentive stock option granted on December 15, 2020 is exercisable for one common share at an exercise price of \$2.14 for a period of five years from the grant date.	Not Applicable

*(1) State aggregate proceeds and intended allocation of proceeds.*

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

**Not Applicable.**

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

**On December 29, 2020, the Issuer appointed Marc Lustig as Executive Chairman. Mr. Lustig was previously the Non-Executive Chairman of the Issuer.**

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

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 Issuer's business in the coming months.

The Issuer has taken proactive measures to protect the health and safety of its employees, to continue delivering high quality medical cannabis to its patients and to maintain its strong balance sheet. The Issuer has postponed planned investments in innovation until global economic risks subside. The Issuer keep on focusing on developing its brand in Germany by increasing volumes to medical patients in that market, adding supply and sales agreements in Israel.

While the precise impact of the COVID-19 outbreak on the Issuer remains unknown, rapid spread of COVID-19 and declaration of the outbreak as a global pandemic has 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 around the world and could result in additional precautionary measures that could impact the Issuer'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, which could interrupt supplies and other services from third parties upon which the Issuer relies, decrease demand for products, 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 Issuer.

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### Certificate Of Compliance

The undersigned hereby certifies that:

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

Dated: January 8, 2021

Oren Shuster

Name of Director or Senior Officer

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Official Capacity

<b>Issuer Details</b> Name of Issuer IM Cannabis Corp.	For Month End December 2020	Date of Report YY/MM/D 2021/01/08
Issuer Address 550 Burrard Street, Suite 2300, Bentall 5		
City/Province/Postal Code Vancouver, BC V6C 2B5	Issuer Fax No. ( )	Issuer Telephone No. 0773-360-3504
Contact Name Yael Harrosh	Contact Position General Counsel and Business Manager	Contact Telephone No. 0773-360-3504
Contact Email Address yael.h@imcannabis.com	Web Site Address <a href="http://www.imcannabis.com/">http://www.imcannabis.com/</a>	

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FORM 9

**NOTICE OF ISSUANCE OR PROPOSED ISSUANCE OF LISTED  
SECURITIES**  
**(or securities convertible or exchangeable into listed securities)**

Name of Listed Issuer:

Symbol(s):

IM Cannabis Corp. (the "Issuer").

IMCC

Date: January 11, 2021

Is this an updating or amending Notice: ☐ Yes ☒ No

If yes provide date(s) of prior Notices:

Issued and Outstanding Securities of Issuer Prior to Issuance: [1]common shares

**Pricing**

Date of news release announcing proposed issuance: December 30, 2020 or

Date of confidential request for price protection:

Closing Market Price on Day Preceding the news release: \$2.55 or

Day preceding request for price protection:

**Closing**

Number of securities to be issued: [2]common shares

Issued and outstanding securities following issuance: [3]common shares

**Instructions:**

1. For private placements (including debt settlement), complete tables 1A and 1B in Part 1 of this form.
2. Complete Table 1A - Summary for all purchasers, excluding those identified in Item 8.
3. Complete Table 1B - Related Persons only for Related Persons

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<sup>1</sup>The number of securities issued and outstanding prior to issuance of the proposed securities shall be determined immediately prior to the closing of the Transaction (as defined herein). An amended Form 9 shall be submitted forthwith upon closing

<sup>2</sup>The number of securities to be issued shall be determined in accordance with the Arrangement Agreement (as defined herein) based on the number of issued and outstanding securities (including equity incentives) immediately prior to the closing of the Transaction. An amended Form 9 shall be submitted forthwith upon closing.

<sup>3</sup>The number of used and outstanding securities following the issuance will be determined immediately prior to the closing of the Transaction. An amended Form 9 shall be submitted forthwith upon closing.



4. If shares are being issued in connection with an acquisition (either as consideration or to raise funds for a cash acquisition) please proceed to Part 2 of this form.
5. An issuance of non-convertible debt does not have to be reported unless it is a significant transaction as defined in Policy 7, in which case it is to be reported on Form 10 - Notice of Proposed Transaction
6. Post the completed Form 9 to the CSE website in accordance with *Policy 6 - Distributions*. In addition, the completed form must be delivered to [listings@thecse.com](mailto:listings@thecse.com) with an appendix that includes the information in Table 1B for ALL places.

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**FORM 9 – NOTICE OF ISSUANCE OR PROPOSED ISSUANCE OF  
LISTED SECURITIES**

September 2018

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**Part 1. Private Placement****Table 1A - Summary**

Each jurisdiction in which purchasers reside	Number of Purchasers	Price per Security	Total dollar value (CDN\$) raised in the jurisdiction
Total number of purchasers:			
Total dollar value of distribution in all jurisdictions:			

**Table 1B - Related Persons**

Full Name & Municipality of Residence of Placee	Number of Securities Purchased or to be Purchased	Purchase price per Security (CDN\$)	Conversion Price (if Applicable) (CDN\$)	Prospectus Exemption	Total Securities Previously Owned, Controlled or Directed	Payment Date(1)	Describe relationship to Issuer (2)

1. Total amount of funds to be raised: N/A
2. Provide full details of the use of the proceeds. The disclosure should be sufficiently complete to enable a reader to appreciate the significance of the transaction without reference to any other material. N/A
3. Provide particulars of any proceeds which are to be paid to Related Persons of the Issuer: N/A
4. If securities are issued in forgiveness of indebtedness, provide details of the debt agreement(s) or and the agreement to exchange the debt for securities.
5. Description of securities to be issued:
  - (a) Class N/A
  - (b) Number N/A
  - (c) Price per security N/A

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**FORM 9 – NOTICE OF ISSUANCE OR PROPOSED ISSUANCE OF  
LISTED SECURITIES**

September 2018

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- (d) Voting rights N/A
6. Provide the following information if warrants, (options) or other convertible securities are to be issued:
- (a) Number N/A
- (b) Number of securities eligible to be purchased on exercise of warrants (or options) N/A
- (c) Exercise price N/A
- (d) Expiry date N/A
7. Provide the following information if debt securities are to be issued:
- (a) Aggregate principal amount N/A
- (b) Maturity date N/A
- (c) Interest rate N/A
- (d) Conversion terms N/A
- (e) Default provisions N/A
8. Provide the following information for any agent's fee, commission, bonus or finder's fee, or other compensation paid or to be paid in connection with the placement (including warrants, options, etc.):
- (a) Details of any dealer, agent, broker or other person receiving compensation in connection with the placement (name, and if a corporation, identify persons owning or exercising voting control over 20% or more of the voting shares if known to the Issuer):
- N/A
- (b) Cash N/A
- (c) N/A
- (d) Other N/A
- (e) Expiry date of any options, warrants etc. N/A
- (f) Exercise price of any options, warrants etc. N/A

9. State whether the sales agent, broker, dealer or other person receiving compensation in connection with the placement is Related Person or has any other relationship with the Issuer and provide details of the relationship
- N/A
10. Describe any unusual particulars of the transaction (i.e. tax "flow through" shares, etc.).
- N/A
11. State whether the private placement will result in a change of control.
- N/A
12. Where there is a change in the control of the Issuer resulting from the issuance of the private placement shares, indicate the names of the new controlling shareholders.
- N/A
13. Each purchaser has been advised of the applicable securities legislation restricted or seasoning period. All certificates for securities issued which are subject to a hold period bear the appropriate legend restricting their transfer until the expiry of the applicable hold period required by National Instrument 45-102 Resale of Securities.

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**FORM 9 – NOTICE OF ISSUANCE OR PROPOSED ISSUANCE OF  
LISTED SECURITIES**

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**Part 2. Acquisition**

1. Provide details of the assets to be acquired by the Issuer (including the location of the assets, if applicable). The disclosure should be sufficiently complete to enable a reader to appreciate the significance of the transaction without reference to any other material:

The Issuer has agreed to acquire Trichome Financial Corp. ("Trichome") pursuant to the terms and subject to the conditions of a definitive arrangement agreement (the "Arrangement Agreement") dated December 30, 2020 between the Issuer and Trichome (the "Transaction"). Under the terms of the Arrangement Agreement, the shareholders of Trichome will receive 0.981 common shares of the Issuer for each common share of Trichome (the "Consideration"). Trichome is a specialty finance company focused on providing flexible and creative capital solutions to the global legal cannabis market. Trichome was created to address the lack of credit availability in the large, growing and increasingly complex cannabis market. The acquisition of Trichome is expected to create a global cannabis production and distribution leader with operations in Israel and Germany's medical cannabis markets under the IMC brand, and in Canada's adult-use recreational market through Trichome's wholly-owned subsidiary, Trichome JWC Acquisition Corp. ("JWC").

2. Provide details of the acquisition including the date, parties to and type of agreement (eg: sale, option, license etc.) and relationship to the Issuer. The disclosure should be sufficiently complete to enable a reader to appreciate the significance of the acquisition without reference to any other material:

Under the Arrangement Agreement, the Issuer will acquire Trichome by way of a court-approved plan of arrangement under the *Business Corporations Act* (Ontario).

The Arrangement Agreement will require the approval of: (i) two-thirds of the votes cast by shareholders of Trichome; and (ii) 50%+1 of the Trichome shareholders, excluding Marc Lustig and Michael Ruscetta<sup>[4]</sup> in accordance with Multilateral Instrument 61-101, in each case at special meetings expected to take place in Q1 2021. Trichome's directors and officers, Cresco Labs Inc. (CSE:CL), and Opaskawayak Cree Nation, which currently hold approximately 34% of the outstanding common shares of Trichome, have each entered into voting support agreements to vote their shares in favour of the Transaction and lock-up agreements restricting the resale of IMC common shares to be owned by such individuals upon closing of the Transaction to a staggered 1/6 release per month of such shares for a period of 6 months. Certain Trichome convertible debenture holders representing approximately 75% of the outstanding principal amount of such Trichome convertible debentures have also entered into voting support agreements in favour of the Arrangement Agreement.

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<sup>4</sup>Marc Lustig and Michael Ruscetta are each deemed to be a "related party" to Trichome as defined in Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions.

Subsequent to the date of the Arrangement Agreement, Trichome accelerated conversion of the convertible debentures by press release dated January 5, 2021 and the parties intend to enter into an amendment to the Arrangement Agreement to reflect the conversion of the debentures and the fact that no debentureholder meeting will be required. The shares issued on conversion of the debentures represent approximately 3% of the issued and outstanding shares of Trichome and the shares issued to the debentureholders who signed voting and support agreements remain subject to those agreements.

The Arrangement Agreement includes customary representations, warranties and covenants, including covenants not to solicit other acquisition proposals and the right to match any superior proposals. A termination fee of \$3.5 million will be paid to the Company in certain circumstances should the Transaction not be completed.

Completion of the Transaction is subject to court and regulatory approvals, which are currently expected to be received in the first half of 2021.

3. Provide the following information in relation to the total consideration for the acquisition (including details of all cash, securities or other consideration) and any required work commitments:
- (a) Total aggregate consideration in Canadian dollars: N/A
  - (b) Cash: N/A
  - (c) Securities (including options, warrants etc.) and dollar value: [●] <sup>[5]</sup>
  - (d) Other: N/A
  - (e) Expiry date of options, warrants, etc. if any: N/A
  - (f) Exercise price of options, warrants, etc. if any: N/A
  - (g) Work commitments: N/A
4. State how the purchase or sale price was determined (e.g. arm's-length negotiation, independent committee of the Board, third party valuation etc).
- Arm's-length negotiation.

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<sup>5</sup>The number of securities to be issued shall be determined in accordance with the Arrangement Agreement based on the number of issued and outstanding Trichome securities (including equity incentives) immediately prior to the closing of the Transaction. An amended Form 9 shall be submitted forthwith upon closing.

5. Provide details of any appraisal or valuation of the subject of the acquisition known to management of the Issuer:

N/A

6. The names of parties receiving securities of the Issuer pursuant to the acquisition and the number of securities to be issued are described as follows:

Name of Party (If not an individual, name all insiders of the Party)	Number and Type of Securities to be Issued	Dollar value per Security (CDN\$)	Conversion price (if applicable)	Prospectus Exemption	Total Securities, Previously Owned, Controlled or Directed by Party	Describe relationship to Issuer <sup>(1)</sup>
Trichome Shareholders	[●] <sup>[6]</sup> common shares	[●] <sup>[7]</sup>	N/A	NI 45-106 Sec 2.11	N/A	Arm's length

(1) Indicate if Related Person

7. Details of the steps taken by the Issuer to ensure that the vendor has good title to the assets being acquired:

Customary representations and warranties under the Arrangement Agreement and management's legal and financial due diligence.

8. Provide the following information for any agent's fee, commission, bonus or finder's fee, or other compensation paid or to be paid in connection with the acquisition (including warrants, options, etc.):

(a) Details of any dealer, agent, broker or other person receiving compensation in connection with the acquisition (name, and if a corporation, identify persons owning or exercising voting control over 20% or more of the voting shares if known to the Issuer):

N/A

(b) Cash N/A

(c) Securities N/A

(d) Other N/A

<sup>6</sup>The number of securities to be issued shall be determined in accordance with the Arrangement Agreement based on the number of issued and outstanding securities (including equity incentives) immediately prior to the closing of the transaction. An amended Form 9 shall be submitted forthwith upon closing.

<sup>7</sup>The deemed price will be provided with an amended Form 9 which shall be submitted forthwith upon closing.

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**FORM 9 – NOTICE OF ISSUANCE OR PROPOSED ISSUANCE OF  
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(e) Expiry date of any options, warrants etc. N/A

(f) Exercise price of any options, warrants etc. N/A

9. State whether the sales agent, broker or other person receiving compensation in connection with the acquisition is a Related Person or has any other relationship with the Issuer and provide details of the relationship.

N/A

10. If applicable, indicate whether the acquisition is the acquisition of an interest in property contiguous to or otherwise related to any other asset acquired in the last 12 months.

N/A



## Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance on behalf of the Issuer.
2. As of the date hereof there is not material information concerning the Issuer which has not been publicly disclosed.
3. the Issuer has obtained the express written consent of each applicable individual to:
  - (a) the disclosure of their information to the Exchange pursuant to this Form or otherwise pursuant to this filing; and
  - (b) the collection, use and disclosure of their information by the Exchange in the manner and for the purposes described in Appendix A or as otherwise identified by the Exchange, from time to time
4. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CSE Policy 1).
5. All of the information in this Form 9 Notice of Issuance of Securities is true.

Dated January 11, 2020.

Oren Shuster

\_\_\_\_\_  
Name of Director or Senior Officer

\_\_\_\_\_  
Signature

Chief Executive Officer

\_\_\_\_\_  
Official Capacity

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**FORM 9 – NOTICE OF ISSUANCE OR PROPOSED ISSUANCE OF  
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## Appendix A

### PERSONAL INFORMATION COLLECTION POLICY REGARDING FORM 9

The Canadian Securities Exchange and its subsidiaries, affiliates, regulators and agents (collectively, "CSE" or the "Exchange") collect and use the information (which may include personal or other information) which has been provided in Form 9 for the following purposes:

- To determine whether an individual is suitable to be associated with a Listed Issuer;
- To determine whether an issuer is suitable for listing;
- To determine whether allowing an issuer to be listed or allowing an individual to be associated with a Listed Issuer could give rise to investor protection concerns or could bring the Exchange into disrepute;
- To conduct enforcement proceedings;
- To ensure compliance with Exchange Requirements and applicable securities legislation; and
- To fulfil the Exchange's obligation to regulate its marketplace.

The CSE also collects information, including personal information, from other sources, including but not limited to securities regulatory authorities, law enforcement and self-regulatory authorities, regulation service providers and their subsidiaries, affiliates, regulators and agents. The Exchange may disclose personal information to these entities or otherwise as provided by law and they may use it for their own investigations.

The Exchange may use third parties to process information or provide other administrative services. Any third party will be obliged to adhere to the security and confidentiality provisions set out in this policy.

All personal information provided to or collected by or on behalf of The Exchange and that is retained by The Exchange is kept in a secure environment. Only those employees who need to know the information for the purposes listed above are permitted access to the information or any summary thereof. Employees are instructed to keep the information confidential at all times.

Information about you that is retained by the Exchange and that you have identified as inaccurate or obsolete will be corrected or removed.

If you wish to consult your file or have any questions about this policy or our practices, please write the Chief Privacy Officer, Canadian Securities Exchange, 220 Bay Street - 9th Floor, Toronto, ON, M5J 2W4.

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FORM 7

**MONTHLY PROGRESS REPORT**

Name of Listed Issuer: IM Cannabis Corp. (the "Issuer").

Trading Symbol: IMCC

Number of Outstanding Listed Securities as of 31/1/2021:

160,245,457 Common Shares, 9,729,258 Warrants

Date: February 5, 2021

**Report on Business**

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.
    - **On January 22, 2021, the Issuer and Trichome Financial Corp. ("Trichome") entered into an amending agreement in connection with the arrangement agreement between the Issuer and Trichome dated December 30, 2020.**
    - **On January 26, 2021, the Issuer announced that it received confirmation from The Depository Trust Company ("DTC") that its Common Shares are now eligible for electronic clearing and settlement through DTC in the United States. DTC eligibility is another milestone towards the listing of the Issuer's Common Shares on the NASDAQ Capital Market, subject to the Issuer's ability to meet all applicable listing and regulatory requirements.**
    - **On January 29, 2021, the Issuer filed an Annual Information Form for the financial year ended December 31, 2019.**
  2. Provide a general overview and discussion of the activities of management.

**Management of the Issuer is focused on continuing its acquisition strategy in North America and Europe, while also identifying new strategic investments and growth opportunities in Israel and Europe, including, but not limited to, securing supply and distribution agreements in Germany and the rest of Europe, and sales and supply agreements in the local Israeli market. As part of this strategy, the Issuer anticipates that it will meet all closing conditions required to complete the Issuer's acquisition of Trichome by way of a court-approved plan of arrangement under the *Business Corporations Act (Ontario)*.**
  3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.
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**Adjupharm GmbH ("Adjupharm") began offering COVID-19 test kits and protective masks to pharmacies and clinics in Germany.**

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

**Not Applicable.**

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

**On January 27, 2021, the Issuer entered into an investor and public relations services agreement with Kanan Corbin Schupak & Aronow, Inc. d/b/a KCSA Strategic Communications ("KCSA"). KCSA is not a Related Person of the Issuer.**

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

**Not applicable.**

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

**Not applicable.**

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

**Not Applicable.**

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

**Not Applicable.**

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10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.
- **Adjupharm hired a controller as part of its financial department.**
  - **On January 12, 2021, the Issuer announced the mutually agreed upon resignation of Yaron Berger, Focus' Chief Executive Officer since January 2020, effective immediately.**
11. Report on any labour disputes and resolutions of those disputes if applicable.
- Not Applicable.**
12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.
- Not Applicable.**
13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.
- Not Applicable.**
14. Provide details of any securities issued and options or warrants granted.

**The following securities were issued by the Issuer in January 2021:**

Security	Number Issued	Details of Issuance	Use of Proceeds <sup>(1)</sup>
Common Shares	134,924	Exercise of broker compensation options	\$141,670.2 to be used for working capital
	1,047,405	Exercise of incentive stock options	\$396,100 to be used for working capital
Warrants	67,462	Issued as a result of broker compensation option exercises on January 7, 2021. Each warrant is exercisable for one common share of the Issuer at an exercise price of \$1.30 for a period of 36 months from August 30, 2019.	Not applicable.

*(1) State aggregate proceeds and intended allocation of proceeds.*

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

**Not Applicable.**

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

**On January 12, 2021, the Issuer announced the mutually agreed upon resignation of Yaron Berger, Focus' Chief Executive Officer since January 2020, effective immediately.**

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

**The current global uncertainty with respect to the spread of 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 Issuer's business in the coming months.**

**The Issuer has taken proactive measures to protect the health and safety of its employees, to continue delivering high quality medical cannabis to its patients and to maintain its strong balance sheet. The Issuer has postponed planned investments in innovation until global economic risks subside. The Issuer continues to focus on its acquisition strategy in North America and Europe. The Issuer also continues to develop the IMC brand by increasing physician awareness and engagement to drive sales of IMC-branded medical cannabis products in Germany and by seeking new supply and sales agreements in Israel.**

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While the precise impact of the COVID-19 outbreak on the Issuer remains unknown, rapid spread of COVID-19 and declaration of the outbreak as a global pandemic has 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 around the world and could result in additional precautionary measures that could impact the Issuer'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, which could interrupt supplies and other services from third parties upon which the Issuer 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 Issuer. Certificate Of Compliance

The undersigned hereby certifies that:

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

Dated: February 5, 2021

\_\_\_\_\_  
Oren Shuster

\_\_\_\_\_  
Name of Director or Senior Officer

\_\_\_\_\_  
"Oren Shuster"

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Official Capacity

<b>Issuer Details</b> Name of Issuer IM Cannabis Corp.	For Month End January 2021	Date of Report YY/MM/D 2021/02/05
Issuer Address 550 Burrard Street, Suite 2300, Bentall 5		
City/Province/Postal Code Vancouver, BC V6C 2B5	Issuer Fax No. ( )	Issuer Telephone No. 0773-360-3504
Contact Name Yael Harrosh	Contact Position General Counsel and Business Manager	Contact Telephone No. 0773-360-3504
Contact Email Address yael.h@imcannabis.com	Web Site Address <a href="http://www.imcannabis.com/">http://www.imcannabis.com/</a>	

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**Consent of Independent Auditors**

We consent to the reference of our Firm under the caption "Experts" and to the inclusion in this Registration Statement on Form 40-F being filed with the United States Securities and Exchange Commission of our report dated April 20, 2020, with respect to the consolidated statements of financial position of IM Cannabis Corp. as at December 31, 2019 and 2018, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the two-year period ended December 31, 2019.

*/s/ Kost Forer Gabbay & Kasierer*

Kost Forer Gabbay & Kasierer  
A Member of Ernst & Young Global

February 12, 2021

A member of Ernst & Young Global Limited

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