UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of **August 2022**.

Commission File Number: **001-40065**

IM Cannabis Corp.

(Exact Name of Registrant as Specified in Charter)

Kibbutz Glil Yam, Central District, Israel 4690500
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F ☐ Form 40-F ☒

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ____

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ____

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

SIGNATURE

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

IM CANNABIS CORP.
(Registrant)

Date: August 15, 2022

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

EXHIBIT INDEX

99.1	News Release dated August 15, 2022
99.2	Interim Consolidated Financial Statements for the six and three months ended June 30, 2022
99.3	Management's Discussion and Analysis for the six and three months ended June 30, 2022
99.4	Certification of Interim Filings by CFO dated August 15, 2022
99.5	Certification of Interim Filings by CEO dated August 15, 2022

Exhibit 99.1

IM Cannabis Reports Record Second Quarter 2022 Financial Results; Revenues Increase 114% YoY to $23.8 Million

Gross margin of 24%, which is expected to increase with further asset integration, product availability, and operational improvements

Approximately $6.5 million per year in expected cash cost savings from streamlining operations in Canada and closure of Israeli cultivation farm

TORONTO and GLIL YAM, Israel, Aug. 15, 2022 /PRNewswire/ -- IM Cannabis Corp. (the "**Company**", "**IM Cannabis**", or **"IMC"**) (CSE: IMCC) (NASDAQ: IMCC), a leading medical and adult-use recreational cannabis company with operations in Israel, Canada, and Germany, provided financial results for its second quarter ended June 30, 2022. All amounts are reported in Canadian dollars unless otherwise stated.

Q2 2022 Highlights

- Revenues increased 114% year-over-year to $23.8 million.
- Gross profit, before fair value adjustments, was $5.6 million.
- Implemented streamlining and restructuring plan in Canada, with expected cash cost savings of approximately $4 million per year, including the sale of SublimeCulture Inc. ("**Sublime**").
- Completed the closure of the Sde Avraham cultivation farm that Focus Medical Herbs Ltd. ("**Focus Medical**") owned and operated in Israel, with expected cash cost savings of $2.5 million per year, and further centralized operations of recently acquired assets in the country.

Management Commentary

"We have accelerated along the path to profitability, with increased revenues, operational streamlining, and a focus on cost reduction," said Oren Shuster, Chief Executive Officer of IMC. "Our primary goal is to continue to increase revenue in each of our core markets to build long term shareholder value. By focusing on sustainable revenue growth, while rigorously pursuing cost and margin efficiencies, we believe we can achieve profitability in the short term."

"Our long-term strategy relies on geographic diversification and preparation to target, upon legalization, new adult-use recreational cannabis markets in Germany followed by the rest of Europe. We are preparing to leverage our global cultivation, brand, and commercial expertise to profitably capture substantial market share across Europe. Our strength is in properly positioning our brands in different markets and the introduction of new SKUs to consistently exceed consumer and patient expectations."

"Like in Israel, we have embarked on a thorough restructuring of our operations in Canada as part of our global integration efforts and to reduce costs. To that end, we have finalized the sale of Sublime, which together with our streamlining initiatives in Israel, is expected to yield $6.5 million in annual cash savings. We expect the majority of savings to begin to materialize in the third quarter, with full realization in the fourth quarter of this year," concluded Shuster.

Operational Highlights

- To further streamline operations in Israel, Focus Medical completed the closure of its Sde Avraham cultivation farm. The closure of Sde Avraham farm allows the Company to efficiently leverage its fully licensed import-export supply chain and focus on importing premium and ultra-premium products from its Canadian subsidiaries and other leading Canadian suppliers.

- In Israel, the Company continued to focus on importing premium and ultra-premium indoor-grown dried cannabis from its Canadian licensed cultivation facilities and its world-leading cannabis suppliers and supply partners. The Company successfully introduced its highly popular WAGNERS Canadian brand in Israel and expects to bring to market new medical cannabis products in Q3 and Q4.

- In Canada, the Company launched numerous new products in response to high market demand for its brands, WAGNERS and Highland Grow, which hold top 3 spots in the premium and ultra-premium segments in Ontario, respectively[i]. At the end of Q2, and in the first weeks of Q3, the WAGNERS pre-roll catalog at the Ontario Cannabis Store ("**OCS**") grew through the launch of Tiki Rain, Blue Lime Pie, and TRPY SLRP pre-rolls. Two new 3.5g dried flower SKUs – Tiki Rain and Purple Clementine – were also launched in addition to an expansion of the concentrate portfolio with the introduction of soft black hash and 3.5g soap bar hash. Highland Grow added new dried flower SKUs to its OCS portfolio – Gas Tank and Diamond Breath as well as White Lightning pre-rolls. New product rollouts continue with the introduction of new strains including Frost Bite, Leviathan, and Space Jagger.

- On August 5, 2022, the Company closed the sale of Sublime, which along with additional streamlining measures taken in Canada is expected to generate annual cash cost savings of approximately $4 million per year. All cultivation, genetics, and logistics have been centralized in the Company's facilities in Kitchener, Ontario which has sufficient cultivation capacity to support the streamlining initiative. The Company sold Sublime to a group of purchasers that included the current and former members of the Sublime management team for aggregate proceeds of $100,000 less adjustments. The transaction constituted a "related party transaction" within the meaning of Multilateral Instrument 61-101 – *Take-Over Bids and Special Transactions* ("**MI 61-101**"). Pursuant to Sections 5.5(a) and 5.7(1)(a) of MI 61-101, the transaction is exempt from the formal valuation and minority shareholder approval requirements of such instrument.

- In Germany, May was the strongest sales month to date, and the Company's IMC Hindu Kush strain was the top selling T20 in the market, strengthening Adjupharm GmbH's ("**Adjupharm**") position as one of the top 10 cannabis companies in Germany. With receipt of the extended EU-GMP license on May 24th, including additional production, testing & release steps, the Company achieved another milestone that supports its strategy of product and brand variety. Adjupharm commenced several new product license applications preparing for the launch of new high-quality and high-THC products in Q4 2022 and Q1 2023.

Q2 2022 Financial Results

- Revenues were $23.8 million in Q2 2022, representing an increase of 114% from Q2 2021. Total dried flower sold for Q2 2022 was 3,210 kilograms at an average selling price of $5.72 per gram, compared to 1,842 kilograms for the same period in 2021 at an average selling price of $3.92 per gram. The increase in revenues is primarily attributed to the increase in the quantity of medical and recreational cannabis products sold, as well as from the higher average selling price per gram the Company realized from its portfolio of premium branded cannabis products in Israel and Canada.

- Gross profit, before fair value adjustments, was $5.6 million in Q2 2022 compared to $0.6 million in Q2 2021.

- General and administrative expenses were $11.1 million in Q2 2022 compared to $7.4 million in Q2 2021. The increase in the general and administrative expense is mainly attributable to the growing corporate activities in Israel and Canada following the Company's acquisitions in 2021.

- Sales and marketing expenses were $5.0 million in Q2 2022 compared to $1.2 million in Q2 2021. The increase in the sales and marketing expenses was due mainly to the Company's increased marketing efforts in Israel, brand launch in Germany, and increased distribution expenses relating to the growth in sales and consolidation of sales and marketing expenses of entities acquired in 2021.

- Adjusted EBITDA loss was $(4.6) million in Q2 2022 compared to $(5.7) million in Q2 2021.

- Net loss was $18.98 million in Q2 2022 compared to net loss of $5.01 million in Q2 2021. Included in the net loss was a non-cash charge of $5.4 million, related to restructuring activities in Canada and Israel, along with associated write-downs in tangible and intangible assets, such as other non-cash impairments of $1.5 million in financial expenses and $3.8 million in general and administrative costs.

- Cash and cash equivalents totaled $5.86 million as at June 30, 2022, compared to $34.05 million as at December 31, 2021.

The complete interim condensed consolidated financial statements of the Company and related management's discussion and analysis for the three months ended June 30, 2022 and 2021, will be available under the Company's SEDAR profile at www.sedar.com.

Q2 2022 Conference Call

The Company will host a zoom web conference today at 9:00 a.m. ET to discuss its Q2 results, followed by a question-and-answer session for the investment community. Investors are invited to register by clicking here. All relevant information will be sent upon registration.

If you are unable to join us live, a recording of the call will be available on our website at https://investors.imcannabis.com/ within 24 hours after the call.

About IM Cannabis Corp.

IM Cannabis (NASDAQ: IMCC, CSE: IMCC) is a leading international cannabis company providing premium products to medical patients and adult-use recreational consumers. IM Cannabis is one of the very few companies with operations in Israel, Germany, and Canada, the three largest federally legal markets. The ecosystem created through its international operations leverages the Company's unique data-driven perspective and product supply chain globally. With its commitment to responsible growth and financial prudence, and the ability to operate within the strictest regulatory environments, the Company has quickly become one of the leading cultivators and distributors of high-quality cannabis globally.

In Israel, the Company imports and sells premium and ultra-premium medical cannabis, operating retail pharmacies, online platforms, distribution centres and logistical hubs through IMC Holdings Ltd. and its subsidiaries and affiliates, which enable safe delivery and quality control throughout the entire value chain. In Germany, the IM Cannabis ecosystem operates through Adjupharm, where it also distributes cannabis to pharmacies to medical cannabis patients. In Canada, IM Cannabis operates through Trichome Financial Corp. and its subsidiaries TJAC and MYM, where it cultivates and processes cannabis for the adult-use market at its Ontario, Nova Scotia, under the WAGNERS and Highland Grow brands.

Disclaimer for Forward-Looking Statements

This press release contains "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian and United States securities laws (collectively, "**forward-looking information**"). Forward-looking information 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 Company's business objectives and milestones and the anticipated timing of execution; expected increase in gross margin attributed to acquired Israeli assets, product availability and yield improvement; the expected cost savings from streamlining operations in Canada and Israel; compliance with NASDAQ Listing Rules; the performance of the Company's business, strategies and operations; the intention to expand its product portfolio and potential business activities; the future impact of the Company's acquisitions; the future product portfolios of the Company, its subsidiaries, Focus Medical and High Way Shinua Ltd. ("**HW Shinua**", and together with the Company, its subsidiaries and Focus Medical, the "**Group**") and the Company's ability to export its products, strains and genetics from Canada to Israel and Germany; the competitive conditions of the cannabis industry and the growth of medical or adult-use recreational cannabis markets in the jurisdictions in which the Company operates; and the anticipated decriminalization or legalization of adult-use recreational cannabis in Germany and Europe.

Forward-looking information is based on assumptions that may prove to be incorrect, including but not limited, the anticipated increase in demand for medical and adult-use recreational cannabis in the markets in which the Company operates; the Company's satisfaction of international demand for its products; the Company's ability to implement its growth strategies and leverage synergies of acquisitions; the Company's ability to reach patients through e-commerce and brick and mortar retail operations; the development and introduction of new products; the ability to import and the supply of premium and indoor grown cannabis products from the Company's Canadian subsidiaries and third-party suppliers and partners; the changes and trends in the cannabis industry; the Company's ability to maintain and renew or obtain required licenses; the ability to maintain cost-efficiencies and network of suppliers to maintain purchasing capabilities; the effectiveness of its products for medical cannabis patients and recreational consumers; future cannabis pricing and input costs; cannabis production yields; the Company being able to continue to drive organic growth from Canadian operations; and the Company's ability to market its brands and services successfully to its anticipated customers and medical cannabis patients.

The above lists of forward-looking statements and assumptions are not exhaustive. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated or implied by such forward-looking statements due to a number of factors and risks. These include: general business risk and liability, including claims or complaints in the normal course of business; any failure of the Company to maintain "de facto" control over Focus Medical and/or HW Shinua in accordance with IFRS 10; limitations on stockholdings of the Company in connection with its potential direct engagement in the Israeli medical cannabis market; the ability and/or need to obtain additional financing for continued operations; the lack of control over the Company's investees; the failure of the Company to comply with applicable regulatory requirements in a highly regulated industry; unexpected changes in governmental policies and regulations in the jurisdictions in which the Company operates; the Company's ability to continue to meet the listing requirements of the Canadian Securities Exchange and the NASDAQ Capital Market; any unexpected failure to maintain in good standing or renew its licenses; the ability of the Company, its acquisitions to integrate each entity into the Company's operations and realize the anticipated benefits and synergies of each such transaction and the timing thereof and the focus of management on such integration; any potential undisclosed liabilities of entities acquired by the Company that were unidentified during the due diligence process; the interpretation of Company's acquisitions of companies or assets by tax authorities or regulatory bodies, including but not limited to the change of control of licensed entities; the ability of the Group to deliver on their sales commitments or growth objectives; the Group's reliance on third-party supply agreements and its ability to enter into additional supply agreements to provide sufficient quantities of medical cannabis to fulfil the Group's obligations; the Group's possible exposure to liability, the perceived level of risk related thereto, and the anticipated results of any litigation or other similar disputes or legal proceedings involving the Group; the impact of increasing competition; any lack of merger and acquisition opportunities; adverse market conditions; the inherent uncertainty of production quantities, qualities and cost estimates and the potential for unexpected costs and expenses.

Please see the other risks, uncertainties and factors set out under the heading "Risk Factors" in the Company's annual information form dated March 31, 2022, which is available on the Company's issuer profile on SEDAR at www.sedar.com and EDGAR at www.sec.gov. Any forward-looking statement included in this press release is made as of the date of this press release and is based on the beliefs, estimates, expectations and opinions of management on the date such forward-looking information is made. 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. Forward-looking statements contained in this press release are expressly qualified by this cautionary statement.

Financial Outlook

The Company and its management believe that the statements regarding increased revenue and adjusted EBITDA contained in this press release are reasonable as of the date hereof, 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 statements are considered future-oriented financial outlooks and financial information (collectively, "**FOFI**") under applicable securities laws. These statements and any other FOFI included herein have been approved by management of the Company as of the date hereof. Such FOFI are provided for the purposes of presenting information about management's current expectations and goals relating to the benefits of the streamlining and restructuring plan in Canada and Israel, expansion of the Company's product portfolio in Israel, Canada and Germany, existing sales and supply agreements with Focus Medical and Adjupharm, increased sales in Israel through the fulfilment of Focus Medical's existing supply agreements, increased sales from the resumption of product shipments to Adjupharm and new supply agreements for medical cannabis to be received by Adjupharm in Germany, the inclusion of the Israeli pharmacies, Panaxia, MYM and Trichome operations in the Company's financial results following closing of the respective acquisitions, additional product launches by Trichome under the WAGNERS brand and the future business of the Company. However, because this information is highly subjective and subject to numerous risks, including the risks discussed above under "Disclaimer for Forward Looking Statements", 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 Company disclaims any intention or obligation to update or revise any FOFI, whether as a result of new information, future events or otherwise, except as required by securities laws.

Non-IFRS Measures

This press release includes references to "EBITDA", "Adjusted EBITDA" and "Gross Margin", 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 EBITDA as earnings before interest, tax, depreciation and amortization. EBITDA has no direct, comparable IFRS financial measure. The Company 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. 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. 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 measures 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.

Three months ended	June 30, 2022	June 30, 2021
Net Revenues	$ 23,821	$ 11,112
Cost of revenues	$ 18,208	$ 10,510
Gross profit before FV adjustments	$ 5,613	$ 602
Gross margin before FV adjustments	24%	5%

	For the three months ended June 30,		For the year ended December 31,
	2022	2021	2021
Operating Loss	$ (18,658)	$ (10,717)	$ (38,389)
Depreciation & Amortization	$ 2,223	$ 1,258	$ 6,004
EBITDA	$ (16,435)	$ (9,459)	$ (32,385)
IFRS Biological assets fair value adjustments, net	$ 1,598	$ 1,170	$ 1,586
Share-based payments	$ 1,048	$ 1,373	$ 7,471
Costs related to the NASDAQ listing	$ -	$ 1,139	$ 1,296
Restructuring cost	$ 5,415	$ -	$ -
Other non-recurring costs	$ 3,750	$ -	$ -
Adjusted EBITDA (Non-IFRS)	$ (4,624)	$ (5,777)	$ (22,032)

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[i] Depletion and e-commerce sales data from Ontario Cannabis Store - Sale of Data report for period between April 1, 2022 – June 30, 2022 for dried flower product between $7.50 - $9.99/gram and above $12.99/gram, respectively.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian Dollars in thousands

	Note	June 30, 2022 (Unaudited)	December 31, 2021
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		$ 5,861	$ 13,903
Restricted bank deposit		-	1
Trade receivables		19,441	16,711
Advances to suppliers		3,024	2,300
Other accounts receivable		6,167	14,481
Loans receivable		686	2,708
Biological assets	4	1,491	1,687
Inventories	5	26,647	29,391
		63,317	81,182
NON-CURRENT ASSETS:			
Property, plant and equipment, net		22,671	30,268
Investments in affiliates		2,311	2,429
Advance payment for intangible assets of pharmacy	3	6,173	3,129
Derivative assets		8	14
Right-of-use assets, net		16,202	18,162
Deferred tax assets		679	16
Intangible assets, net	3	26,719	30,885
Goodwill	3	117,225	121,303
		191,988	206,206
Total assets		$ 255,305	$ 287,388

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	June 30, 2022 (Unaudited)	December 31, 2021
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables		$ 15,200	$ 13,989
Bank loans and credit facilities		18,002	9,502
Other accounts payable and accrued expenses		16,050	20,143
Accrued purchase consideration liabilities	1c	2,741	6,039
Current maturities of operating lease liabilities		1,567	1,554
		53,560	51,227
NON-CURRENT LIABILITIES:			
Warrants measured at fair value	6	319	6,022
Operating lease liabilities		16,102	17,820
Long-term loans		354	392
Employee benefit liabilities, net		180	391
Deferred tax liability, net		5,249	6,591
		22,204	31,216
Total liabilities		75,764	82,443
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	7		
Share capital and premium		241,837	237,677
Treasury stock		(660)	(660)
Translation reserve		1,004	2,614
Reserve from share-based payment transactions		14,242	12,348
Accumulated deficit		(78,860)	(50,743)
Total equity attributable to equity holders of the Company		177,563	201,236
Non-controlling interests		1,978	3,709
Total equity		179,541	204,945
Total liabilities and equity		$ 255,305	$ 287,388

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, 2022	Six months ended June 30, 2021	Three months ended June 30, 2022	Three months ended June 30, 2021
	(Unaudited)			
Revenues	$ 47,390	$ 19,879	$ 23,821	$ 11,112
Cost of revenues	35,423	14,650	18,208	10,510
Gross profit before fair value adjustments	11,967	5,229	5,613	602
Fair value adjustments:				
Unrealized change in fair value of biological assets	1,135	4,361	56	2,018
Realized fair value adjustments on inventory sold in the period	(2,517)	(5,130)	(1,654)	(3,188)
Total fair value adjustments	(1,382)	(769)	(1,598)	(1,170)
Gross profit (loss)	10,585	4,460	4,015	(568)
General and administrative expenses	20,226	12,388	11,184	7,475
Selling and marketing expenses	8,746	2,491	5,026	1,301
Restructuring expenses	9,162	-	5,415	-
Share-based compensation	2,658	2,003	1,048	1,373
Total operating expenses	40,792	16,882	22,673	10,149
Operating loss	(30,207)	(12,422)	(18,658)	(10,717)
Finance income	6,097	13,434	3,206	6,208
Finance expense	(6,927)	(846)	(4,591)	(543)
Finance income (expenses), net	(830)	12,588	(1,385)	5,665
Loss from disposal of investment	(114)	-	(114)	-
Income (loss) before income taxes	(31,151)	166	(20,157)	(5,052)
Income tax expense (benefit)	(1,432)	540	(1,179)	37
Net loss	(29,719)	(374)	(18,978)	(5,089)
Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation to presentation currency	(2,942)	(1,238)	(1,150)	152
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:				
Adjustments arising from translating financial statements of foreign operation	1,203	259	345	27
Total other comprehensive income (loss)	(1,739)	(979)	(805)	179
Total comprehensive loss	$ (31,458)	$ (1,353)	$ (19,783)	$ (4,910)

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, 2022	Six months ended June 30, 2021	Three months ended June 30, 2022	Three months ended June 30, 2021
		Unaudited			
Net loss attributable to:					
Equity holders of the Company		$ (28,117)	$ (125)	$ (18,665)	$ (4,630)
Non-controlling interests		(1,602)	(249)	(313)	(459)
		$ (29,719)	$ (374)	$ (18,978)	$ (5,089)
Total comprehensive loss attributable to:					
Equity holders of the Company		$ (29,727)	$ (1,123)	$ (19,437)	$ (4,459)
Non-controlling interests		(1,731)	(230)	(346)	(451)
		$ (31,458)	$ (1,353)	$ (19,783)	$ (4,910)
Loss per share attributable to equity holders of the Company:					
Basic loss per share (in CAD):	9	$ (0.40)	$ -	$ (0.27)	$ (0.10)
Diluted loss per share (in CAD):	9	$ (0.47)	$ (0.28)	$ (0.30)	$ (0.23)

The accompanying notes are an integral part of the 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						
	Share capital and premium	Treasury stock	Reserve for share-based payment transactions	Translation reserve	Accumulate deficit	Total	Non-controlling interests	Total equity
Balance as of January 1, 2022	$ 237,677	$ (660)	$ 12,348	$ 2,614	$ (50,743)	$ 201,236	$ 3,709	$ 204,945
Net loss	-	-	-	-	(28,117)	(28,117)	(1,602)	(29,719)
Other comprehensive loss	-	-	-	(1,610)	-	(1,610)	(129)	(1,739)
Total comprehensive loss	-	-	-	(1,610)	(28,117)	(29,727)	(1,731)	(31,458)
Issuance of common shares	3,061	-	-	-	-	3,061	-	3,061
Exercise of options	1,072	-	(737)	-	-	335	-	335
Share based payment	-	-	2,658	-	-	2,658	-	2,658
Expired Options	27	-	(27)	-	-	-	-	-
Balance as of June 30, 2022 (unaudited)	$ 241,837	$ (660)	$ 14,242	$ 1,004	$ (78,860)	$ 177,563	$ 1,978	$ 179,541
Balance as of January 1, 2021	$ 37,040	$ -	$ 5,829	$ 1,229	$ (33,001)	$ 11,097	$ 1,513	$ 12,610
Net loss	-	-	-	-	(125)	(125)	(249)	(374)
Other comprehensive income (loss)	-	-	-	(998)	-	(998)	19	(979)
Total comprehensive loss	-	-	-	(998)	(125)	(1,123)	(230)	(1,353)
Issuance of shares related to Trichome acquisition	98,028	-	-	-	-	98,028	-	98,028
Issuance of shares, net of approximately $3,200 issuance costs	28,131	-	-	-	-	28,131	-	28,131
Exercise of warrants	4,151	-	-	-	-	4,151	-	4,151
Exercise of options	832	-	(771)	-	-	61	-	61
Share based payment	-	-	2,003	-	-	2,003	-	2,003
Expired options	14	-	(14)	-	-	-	-	-
Balance as of June 30, 2021 (unaudited)	$ 168,196	$ -	$ 7,047	$ 231	$ (33,126)	$ 142,348	$ 1,283	$ 143,631

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, 2022	Six months ended June 30, 2021
Cash flows from operating activities:		
Net loss for the period	$ (29,719)	$ (374)
Adjustments for non-cash items:		
Unrealized gain on changes in fair value of biological assets	(1,135)	(4,361)
Fair value adjustment on sale of inventory	2,517	5,130
Fair value adjustment of warrants measured at fair value and derivative assets	(5,697)	(13,049)
Depreciation of property, plant and equipment	1,762	967
Amortization of intangible assets	1,284	242
Depreciation of right-of-use assets	1,014	434
Finance expenses, net	6,527	461
Deferred tax expense (benefit), net	(1,836)	398
Share-based payment	2,658	2,003
Share based acquisition costs related to business combination	-	989
Non-cash interest income on loans receivable	-	233
Revaluation of other receivable	3,818	-
Loss from disposal of investments	114	-
Restructuring expenses	8,791	-
	19,817	(6,553)
Changes in working capital:		
Increase in trade receivables, net	(4,518)	(5,688)
Decrease (increase) in other accounts receivable	556	(4,330)
Decrease in biological assets, net of fair value adjustments	569	4,100
Increase in inventories, net of fair value adjustments	(570)	(9,516)
Increase in trade payables	3,916	1,829
Increase (decrease) in employee benefit liabilities, net	(182)	32
Decrease in other accounts payable and accrued expenses	(337)	(1,996)
	(566)	(15,569)
Taxes paid	(462)	(515)
Net cash used in operating activities	(10,930)	(23,011)

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, 2022	Six months ended June 30, 2021
	Unaudited	
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,076)	(1,837)
Proceeds from sales of property, plant and equipment	201	-
Proceeds from loans receivable	350	7,620
Acquisition of business, net of cash acquired - TFC	-	362
Acquisition of business, net of cash acquired - Panaxia	-	(2,079)
Investments in financial assets	-	(13)
Change in restricted bank deposit	-	18
Investments in associate	(114)	-
Net cash provided by (used in) investing activities	$ (639)	$ 4,071
Cash flow from financing activities:		
Proceeds from issuance of share capital, net of issuance costs	$ -	$ 39,353
Proceeds from exercise of warrants	-	3,292
Proceeds from exercise of options	335	61
Repayment of lease liability	(722)	(31)
Payment of lease liability interest	(859)	(578)
Proceeds from bank loan and credit facilities, net	8,871	1,424
Interest paid	(504)	-
Net cash provided by financing activities	7,121	43,521
Effect of foreign exchange on cash and cash equivalents	(3,594)	584
Increase (decrease) in cash and cash equivalents	(8,042)	25,165
Cash and cash equivalents at beginning of the period	13,903	8,885
Cash and cash equivalents at end of the period	$ 5,861	$ 34,050
Supplemental disclosure of non-cash activities:		
Right-of-use asset recognized with corresponding lease liability	$ 269	$ 81
Issuance of shares in payment of purchase consideration liability	$ 3,147	$ -

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

Exhibit 99.2

IM CANNABIS CORP. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2022

UNAUDITED

IM CANNABIS CORP. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2022

CANADIAN DOLLARS IN THOUSANDS

(Unaudited)

INDEX

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian Dollars in thousands

	Note	June 30, 2022 (Unaudited)	December 31, 2021
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		$ 5,861	$ 13,903
Restricted bank deposit		-	1
Trade receivables		19,441	16,711
Advances to suppliers		3,024	2,300
Other accounts receivable		6,167	14,481
Loans receivable		686	2,708
Biological assets	4	1,491	1,687
Inventories	5	26,647	29,391
		63,317	81,182
NON-CURRENT ASSETS:			
Property, plant and equipment, net		22,671	30,268
Investments in affiliates		2,311	2,429
Advance payment for intangible assets of pharmacy	3	6,173	3,129
Derivative assets		8	14
Right-of-use assets, net		16,202	18,162
Deferred tax assets		679	16
Intangible assets, net	3	26,719	30,885
Goodwill	3	117,225	121,303
		191,988	206,206
Total assets		$ 255,305	$ 287,388

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	June 30, 2022 (Unaudited)	December 31, 2021
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables		$ 15,200	$ 13,989
Bank loans and credit facilities		18,002	9,502
Other accounts payable and accrued expenses		16,050	20,143
Accrued purchase consideration liabilities	1c	2,741	6,039
Current maturities of operating lease liabilities		1,567	1,554
		53,560	51,227
NON-CURRENT LIABILITIES:			
Warrants measured at fair value	6	319	6,022
Operating lease liabilities		16,102	17,820
Long-term loans		354	392
Employee benefit liabilities, net		180	391
Deferred tax liability, net		5,249	6,591
		22,204	31,216
Total liabilities		75,764	82,443
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	7		
Share capital and premium		241,837	237,677
Treasury stock		(660)	(660)
Translation reserve		1,004	2,614
Reserve from share-based payment transactions		14,242	12,348
Accumulated deficit		(78,860)	(50,743)
Total equity attributable to equity holders of the Company		177,563	201,236
Non-controlling interests		1,978	3,709
Total equity		179,541	204,945
Total liabilities and equity		$ 255,305	$ 287,388

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,	
	2022	**2021**	**2022**	**2021**
	(Unaudited)			
Revenues	$ 47,390	$ 19,879	$ 23,821	$ 11,112
Cost of revenues	35,423	14,650	18,208	10,510
Gross profit before fair value adjustments	11,967	5,229	5,613	602
Fair value adjustments:				
Unrealized change in fair value of biological assets	1,135	4,361	56	2,018
Realized fair value adjustments on inventory sold in the period	(2,517)	(5,130)	(1,654)	(3,188)
Total fair value adjustments	(1,382)	(769)	(1,598)	(1,170)
Gross profit (loss)	10,585	4,460	4,015	(568)
General and administrative expenses	20,226	12,388	11,184	7,475
Selling and marketing expenses	8,746	2,491	5,026	1,301
Restructuring expenses	9,162	-	5,415	-
Share-based compensation	2,658	2,003	1,048	1,373
Total operating expenses	40,792	16,882	22,673	10,149
Operating loss	(30,207)	(12,422)	(18,658)	(10,717)
Finance income	6,097	13,434	3,206	6,208
Finance expense	(6,927)	(846)	(4,591)	(543)
Finance income (expenses), net	(830)	12,588	(1,385)	5,665
Loss from disposal of investment	(114)	-	(114)	-
Income (loss) before income taxes	(31,151)	166	(20,157)	(5,052)
Income tax expense (benefit)	(1,432)	540	(1,179)	37
Net loss	(29,719)	(374)	(18,978)	(5,089)
Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation to presentation currency	(2,942)	(1,238)	(1,150)	152
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:				
Adjustments arising from translating financial statements of foreign operation	1,203	259	345	27
Total other comprehensive income (loss)	(1,739)	(979)	(805)	179
Total comprehensive loss	$ (31,458)	$ (1,353)	$ (19,783)	$ (4,910)

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,	
		2022	2021	2022	2021
	Note	Unaudited			
Net loss attributable to:					
Equity holders of the Company		$ (28,117)	$ (125)	$ (18,665)	$ (4,630)
Non-controlling interests		(1,602)	(249)	(313)	(459)
		$ (29,719)	$ (374)	$ (18,978)	$ (5,089)
Total comprehensive loss attributable to:					
Equity holders of the Company		$ (29,727)	$ (1,123)	$ (19,437)	$ (4,459)
Non-controlling interests		(1,731)	(230)	(346)	(451)
		$ (31,458)	$ (1,353)	$ (19,783)	$ (4,910)
Loss per share attributable to equity holders of the Company:					
Basic loss per share (in CAD):	9	$ (0.40)	$ -	$ (0.27)	$ (0.10)
Diluted loss per share (in CAD):	9	$ (0.47)	$ (0.28)	$ (0.30)	$ (0.23)

The accompanying notes are an integral part of the 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							
	Share capital and premium	**Treasury stock**	**Reserve for share-based payment transactions**	**Translation reserve**	**Accumulate deficit**	**Total**	**Non-controlling interests**	**Total equity**
Balance as of January 1, 2022	$ 237,677	$ (660)	$ 12,348	$ 2,614	$ (50,743)	$ 201,236	$ 3,709	$ 204,945
Net loss	-	-	-	-	(28,117)	(28,117)	(1,602)	(29,719)
Other comprehensive loss	-	-	-	(1,610)	-	(1,610)	(129)	(1,739)
Total comprehensive loss	-	-	-	(1,610)	(28,117)	(29,727)	(1,731)	(31,458)
Issuance of common shares	3,061	-	-	-	-	3,061	-	3,061
Exercise of options	1,072	-	(737)	-	-	335	-	335
Share based payment	-	-	2,658	-	-	2,658	-	2,658
Expired Options	27	-	(27)	-	-	-	-	-
Balance as of June 30, 2022 (unaudited)	$ 241,837	$ (660)	$ 14,242	$ 1,004	$ (78,860)	$ 177,563	$ 1,978	$ 179,541
Balance as of January 1, 2021	$ 37,040	$ -	$ 5,829	$ 1,229	$ (33,001)	$ 11,097	$ 1,513	$ 12,610
Net loss	-	-	-	-	(125)	(125)	(249)	(374)
Other comprehensive income (loss)	-	-	-	(998)	-	(998)	19	(979)
Total comprehensive loss	-	-	-	(998)	(125)	(1,123)	(230)	(1,353)
Issuance of shares related to Trichome acquisition	98,028	-	-	-	-	98,028	-	98,028
Issuance of shares, net of approximately $3,200 issuance costs	28,131	-	-	-	-	28,131	-	28,131
Exercise of warrants	4,151	-	-	-	-	4,151	-	4,151
Exercise of options	832	-	(771)	-	-	61	-	61
Share based payment	-	-	2,003	-	-	2,003	-	2,003
Expired options	14	-	(14)	-	-	-	-	-
Balance as of June 30, 2021 (unaudited)	$ 168,196	$ -	$ 7,047	$ 231	$ (33,126)	$ 142,348	$ 1,283	$ 143,631

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, 2022	Six months ended June 30, 2021
Cash flows from operating activities:		
Net loss for the period	$ (29,719)	$ (374)
Adjustments for non-cash items:		
Unrealized gain on changes in fair value of biological assets	(1,135)	(4,361)
Fair value adjustment on sale of inventory	2,517	5,130
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Non-cash interest income on loans receivable	-	233
Revaluation of other receivable	3,818	-
Loss from disposal of investments	114	-
Restructuring expenses	8,791	-
	19,817	(6,553)
Changes in working capital:		
Increase in trade receivables, net	(4,518)	(5,688)
Decrease (increase) in other accounts receivable	556	(4,330)
Decrease in biological assets, net of fair value adjustments	569	4,100
Increase in inventories, net of fair value adjustments	(570)	(9,516)
Increase in trade payables	3,916	1,829
Increase (decrease) in employee benefit liabilities, net	(182)	32
Decrease in other accounts payable and accrued expenses	(337)	(1,996)
	(566)	(15,569)
Taxes paid	(462)	(515)
Net cash used in operating activities	(10,930)	(23,011)

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Canadian Dollars in thousands

	Six months ended June 30, 2022	Six months ended June 30, 2021
	Unaudited	
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,076)	(1,837)
Proceeds from sales of property, plant and equipment	201	-
Proceeds from loans receivable	350	7,620
Acquisition of business, net of cash acquired - TFC	-	362
Acquisition of business, net of cash acquired - Panaxia	-	(2,079)
Investments in financial assets	-	(13)
Change in restricted bank deposit	-	18
Investments in associate	(114)	-
Net cash provided by (used in) investing activities	$ (639)	$ 4,071
Cash flow from financing activities:		
Proceeds from issuance of share capital, net of issuance costs	$ -	$ 39,353
Proceeds from exercise of warrants	-	3,292
Proceeds from exercise of options	335	61
Repayment of lease liability	(722)	(31)
Payment of lease liability interest	(859)	(578)
Proceeds from bank loan and credit facilities, net	8,871	1,424
Interest paid	(504)	-
Net cash provided by financing activities	7,121	43,521
Effect of foreign exchange on cash and cash equivalents	(3,594)	584
Increase (decrease) in cash and cash equivalents	(8,042)	25,165
Cash and cash equivalents at beginning of the period	13,903	8,885
Cash and cash equivalents at end of the period	$ 5,861	$ 34,050
Supplemental disclosure of non-cash activities:		
Right-of-use asset recognized with corresponding lease liability	$ 269	$ 81
Issuance of shares in payment of purchase consideration liability	$ 3,147	$ -

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

In Israel, IMCC operates in the field of medical cannabis, through Focus Medical Herbs Ltd. ("Focus"), which held a cultivation license to breed, grow and supply medical cannabis products in Israel under the regulations of medical cannabis by the Israeli Ministry of Health through its Israel Medical Cannabis Agency ("IMCA") until July 2022. In July 2022 Focus closed its cultivation facility and received an IMCA license which allows it to import cannabis products and proceed with its supply activity. 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.See Note 1c.

During 2021, IMCC also entered into the field of retail medical cannabis and other pharma products in Israel through the acquisition of several pharmacies and trade houses, including the pharmacies of Revoly Trading and Marketing Ltd. ("Vironna"), R.A. Yarok Pharm Ltd. and Oranim Plus Pharm Ltd. ("Oranim"), and the trade houses of Panaxia and Rosen High Way Ltd.

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

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

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

The Company, its subsidiaries and Focus (collectively: the "Group"), operate in geographical reporting segments (Note 10). The majority of the Group's revenues are generated from sales of medical cannabis products to customers in Israel and recreational cannabis products in Canada. The remaining revenues are generated from sales of medical cannabis, as well as other products, to customers in Germany.

These financial statements have been prepared in a condensed format as of June 30, 2022, and for the six and three months then ended (the "interim condensed consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2021, and for the year then ended and accompanying notes (the "annual consolidated financial statements").

NOTE 1:- GENERAL (Cont.)

Liquidity and capital resources

As of June 30, 2022, the Company's cash position (cash and cash equivalents) totaled $5,861 and the Company's working capital (current assets less current liabilities) amounted to $9,757. In the six months ended June 30, 2022, the Company had an operating loss of ($30,207) and negative cash flows from operating activities of ($10,930). The Company's current operating budget includes various assumptions concerning the level and timing of cash receipts from sales and cash outlays for operating expenses and capital expenditures, including cost saving plans and restructuring actions taken in 2022 (see Note 1c).

The Company is planning to finance its operations from its existing and future working capital resources and to continue to evaluate additional sources of capital and financing.

However, there is no assurance that additional capital and or financing will be available to the Company, and even if available, whether it will be on terms acceptable to the Company or in amounts required. Accordingly, the Company's board of directors approved a cost saving plan, to be implemented if needed, in whole or in part, at its discretion, to allow the Company to continue its operations and meet its cash obligations. The cost saving plan consist of cost reduction due to efficiencies and synergies, which include mainly the following steps: reduction in payroll and headcount, reduction in compensation paid to key management personnel, operational efficiencies and reduced capital expenditures. The Company and the board of directors believe that its existing financial resources and its operating plans, including the effects of the costs saving plan, will be adequate to satisfy its expected liquidity requirements for a period of at least twelve months from the end of the reporting period.

During 2021, TJAC and certain MYM subsidiaries entered into a revolving credit facility (the "Facility") with a private Canadian creditor. The Facility is guaranteed by Trichome Financial Corp. Advances from the Facility is used for working capital needs. The Facility had a total commitment of up to $10,000 and has a one-year term, renewable upon mutual agreement by the parties for up to two additional periods of 180 days. During April 2022, the Company completed an amendment to increase the availability under the existing revolving credit facility to $15,000 and the term of the Revolving Credit Facility was extended to May 2023. The borrowing base available for draw at any time throughout the Facility is a function of the trade receivable and inventory balances at the time of drawdown. The Facility bears interest at the higher of 9.75% and the Toronto Dominion Bank Prime Rate plus 7.30% per annum. As of June 30, 2022 ,the Company withdrew from the facility $12,107.

In January 2022, Focus entered into a revolving credit facilitywith an Israeli bank, Bank Mizrahi (the"Mizrahi Facility"). The Mizrahi

Canadian Dollars in thousands, except share and per share data

Facility is guaranteed by Focus assets. Advances from the Mizrahi Facility will be used for working capital needs. The Mizrahi Facility has a total commitment of up to NIS 15,000 thousand (approximately $6,000) and has a one-year term for on-going needs and 6 months term for imports and purchases needs. The Mizrahi Facility is renewable upon mutual agreement by the parties. The borrowing base available for draw at any time throughout the Mizrahi Facility and is subject to several covenants to be measured on a quarterly basis (the "Mizrahi Facility Covenants"). The Mizrahi Facility bears interest at the Israeli Prime interest rate plus 1.5% (approximately 4.25%) per annum As of June 30, 2022, the Company met the Mizrahi Facility Covenants and withdrew $5,525.

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 14, 2022.

c. Strategic Developments:

1. On April 30, 2021, the Company announced that its wholly-owned Israeli subsidiary, IMC Holdings, signed a definitive agreement (the "Panaxia Agreement") with Panaxia Pharmaceutical Industries Israel Ltd. and Panaxia Logistics Ltd. (collectively "Panaxia") (the "Panaxia Transaction"). Pursuant to the Panaxia Agreement, IMC Holdings will acquire Panaxia's trading house license and in-house pharmacy activities, certain distribution assets and an option to purchase a pharmacy with licenses to sell medical cannabis to patients, for an aggregate purchase price of NIS 18,700 thousand (approximately $7,000), comprised of NIS 7,600 thousand (approximately $2,800) in cash and NIS 11,100 thousand (approximately $4,200) in Common Shares. As of June 30, 2022, the accrued purchased consideration with respect to Panaxia transaction amounted to $358. See Note 3.

2. On July 28, 2021, IMC Holdings entered into a definitive agreement to acquire all of the issued and outstanding share of R.A. Yarok Pharm Ltd., Rosen High Way Ltd. and High Way Shinua Ltd. (collectively "Pharm Yarok Group"). The aggregate consideration for the Pharm Yarok Group acquisition comprised of NIS 11,900 thousand (approximately $4,600), of which NIS 3,500 thousand (approximately $1,300) in Common Shares which were issued on March 14, 2022, as a settlement of the remained purchase consideration liability.

3. On August 16, 2021, IMC Holdings signed a definitive agreement to acquire 51% of the outstanding ordinary shares of "Vironna" for a total consideration of NIS 8,500 thousand (approximately $3,300), of which NIS 5,000 thousand (approximately $1,900) in cash and NIS 3,500 thousand (approximately $1,400) is in Common Shares which were issued on March 14, 2022. As of June 30, 2022, the accrued consideration payable to Vironna's former shareholder amounts to $462.

4. On December 1, 2021, IMC Holdings signed a definitive agreement to acquire 51% of the rights in Oranim for an aggregate consideration of approximately NIS 11,900 thousand (approximately $4,900), comprised of NIS 5,200 thousand (approximately $2,100) paid in cash upon signing, NIS 5,200 thousand (approximately $2,100) which will be paid in cash on the first quarter of 2023 and NIS 1,500 thousand (approximately $700) paid in 251,001 Common Shares. As of June 30, 2022, the Company issued the Common Shares, paid NIS 5,200 thousand (approximately $2,100) and the accrued consideration payable to Oranim's former shareholder amounts to $1,921.

5. On April 6, 2022, Focus announced its decision, from March 30, 2022, to close the Sde Avraham cultivation farm in Israel, therefore, the Company recorded restructuring expenses related to impairment of property, plant and equipment, biological assets and right of use asset and liabilities, in the total amount of $4,383.

NOTE 1:- GENERAL (Cont.)

6. On June 30, 2022, the Company announced on its decision to dispose one of its facilities in Canada ("Sublime"), therefore the Company recorded restructuring expenses related to impairment of property, plant and equipment, and right of use assets and write-off of abandoned biological assets in the total amount of $4,779.

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.

b. Significant accounting judgements and estimates:

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 3:- BUSINESS COMBINATION

Panaxia's Assets and Operations

As described in Note 1c(1), on April 30, 2021, the Company acquired certain assets and operations of Panaxia for an aggregate purchase price of NIS 18,700 thousand (approximately $7,000). As of December 31, 2021, the Group recognized the fair value of the assets acquired and liabilities assumed in the business combination based on a preliminary valuation study prepared by an external valuation specialist.

The fair value of the identifiable assets acquired and liabilities assumed on the acquisition date based on a final adjusted valuation as of June 30, 2022, are as follows:

	Preliminary PPA	Adjustments	Final PPA
Inventory	$ 19	-	$ 19
Advance payment for intangible assets of pharmacy (*)	2,837	3,367	6,204
Property, plant and equipment	88	-	88
Intangible assets	776	(593)	183
Total identifiable assets	3,720	2,774	6,494
Goodwill arising on acquisition	3,240	(2,774)	466
Total purchase price	$ 6,960	-	$ 6,960

The effects of the adjustments on prior period financial statements are immaterial.

(*) As part of the acquisition, the Company purchased an option to purchase the on-line related activities of a Panaxia pharmacy, including cannabis-related licenses. As the exercise price of the option related only to the medical cannabis inventory at the date of exercise, the Company allocated $6,204 of the non-cancellable purchase price to effectively reflect the Company’s advance payment for the estimated fair value of the licenses and other assets (including customer relationships) of the Panaxia pharmacy that will be acquired upon exercise of the option. As of June 30, 2022, the transfer had not yet been completed. The Company expects completion during the third quarter of 2022.

NOTE 4:- BIOLOGICAL ASSETS

The Company's biological assets consist of cannabis plants. The changes in the carrying value of biological assets are as follows:

Balance as of January 1, 2022	$ 1,687
Production costs capitalized	4,867
Changes in fair value less cost to sell due to biological transformation	1,200

Transferred to inventory upon harvest	(6,152)
Restructuring write-off	(108)
Foreign exchange translation	(3)
Balance as of June 30, 2022	$ 1,491

As of June 30, 2022 and December 31, 2021, the weighted average fair value less cost to sell was $2.85 and $2.48 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:

	June 30, 2022	December 31, 2021	10% change as of June 30, 2022	10% change as of December 31, 2021
	In CAD		In Thousands of CAD	
Average selling price per gram of dried cannabis	$ 3.61	$ 3.64	$ 186	$ 296
Average post-harvest costs per gram of dried cannabis	$ 0.76	$ 1.16	$ 41	$ 140
Attrition rate	30%	27%	149	100
Average yield per plant (in grams)	40	47	144	228
Average stage of growth	48%	47%	139	212

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 5:- INVENTORIES

The following is a breakdown of inventory as of June 30, 2022:

	June 30, 2022 Capitalized costs	June 30, 2022 Fair valuation adjustment, net	June 30, 2022 Carrying value
Work in progress:			
Bulk cannabis	$ 15,728	$ -	$ 15,728
Other products	973	-	973
Finished goods:			
Packaged dried cannabis	8,329	-	8,329
Other cannabis products	1,199	-	1,199
Other products	418	-	418
Balance as of June 30, 2022	$ 26,647	$ -	$ 26,647

The following is a breakdown of inventory as of December 31, 2021:

	December 31, 2021 Capitalized costs	December 31, 2021 Fair valuation adjustment, net	December 31, 2021 Carrying value
Work in progress:			
Bulk cannabis	$ 14,113	$ 3,336	$ 17,449
Other cannabis products	1,074	-	1,074
Finished goods:			
Packaged dried cannabis	8,974	270	9,244
Other cannabis products	744	-	744

Canadian Dollars in thousands, except share and per share data

Other products	880	-	880
Balance as of December 31, 2021	$ 25,785	$ 3,606	$ 29,391

During the six months ended June 30, 2022 and 2021, inventory expensed to cost of revenue of cannabis products was $15,970 and $12,219, respectively, which included $2,517 and $5,130 of non-cash expense, respectively, related to the changes in fair value of inventory sold.

During the three months ended June 30, 2022 and 2021, inventory expensed to cost of revenue of cannabis products was $15,997 and $7,606, respectively, which included $1,654 and $3,188 of non-cash expense, respectively, related to the changes in fair value of inventory sold.

Cost of revenues in the six and three months ended June 30, 2022 and 2021, also include production overhead not allocated to costs of inventories produced and recognized as an expense as incurred.

NOTE 6:- FINANCIAL INSTRUMENTS

a. Financial instruments are measured either at fair value or at amortized cost. The table below lists the valuation methods used to determine fair value of each financial instrument.

Financial Instruments Measured at Fair Value	**Fair Value Method**
Derivative assets	Black & Scholes model (Level 3 category)
Warrants liability*)	Black & Scholes model (Level 3 category)
Investment in affiliates	Market comparable (Level 3 category)

Management believes that the carrying amount of cash and cash equivalents, restricted bank deposit, trade receivables, other accounts receivable, loans receivables, trade payables, bank loans and credit facility, other account payables and accrued expenses and accrued purchase consideration payable approximate their fair value due to the short-term maturities of these instruments.

*) Finance income (expenses) include fair value adjustment of Warrants, Investments, and Derivative assets measured at fair value, which for the six months ended June 30, 2022 and 2021, amounted to $(5,697) and $(13,049) respectively.

Finance income (expenses) include fair value adjustment of Warrants, Investments, and Accounts Receivable measured at fair value, for the three months ended June 30, 2022 and 2021, amounted to $(3,009) and $(5,989), respectively.

b. On April 4, 2022, the Company issued a Notice of Default to Biome Grow Inc. and its subsidiary, Cultivator Catalyst Corp. (the "Borrowers"), for an unpaid loan and interest of approximately $2,680. On May 12, 2022, the Company applied to and received from the Superior Court in Ontario an order which allows the Company to freeze the assets of the Borrowers including the assets, which comprise MYM's Collateral for the Loan. As a result of the Borrower's default the Company recorded non-cash financial expenses in the amount of approximately $1,800.

NOTE 7:- EQUITY

a. Composition of share capital:

	June 30, 2022		**December 31, 2021**	
	Authorized	**Issued and outstanding**	**Authorized**	**Issued and outstanding**
Common Shares without par value	Unlimited	69,695,325	Unlimited	68,217,894

Common Shares confer upon their holders the right to participate in the general meeting where each Common 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 7:- EQUITY (Cont.)

b. Changes in issued and outstanding share capital:

	Number of shares
Balance as of January 1, 2022	68,217,894
Common Shares issued as a result of options exercised	217,368

Common Shares issued in settlement of purchase consideration of a business combination (1)	1,260,063
Balance as of June 30, 2022	69,695,325

(1) Pharm Yarok -523,700, Vironna - 485,362, Oranim - 251,001

The following table lists the movement in the number of share options and the weighted average exercise prices of share options in the 2018 Plan:

	Six months ended June 30, 2022	
	Number of options	Weighted average exercise price in CAD
Options outstanding at the beginning of the period	5,443,245	3.91
Options granted during the period	97,500	2.13
Options exercised during the period (*)	(227,067)	1.60
Options forfeited during the period	(188,850)	7.63
Options outstanding at the end of the period	5,124,828	3.89
Options exercisable at the end of the period	2,799,538	3.77

(*) Includes 18,755 Options exercised under cashless mechanism to 9,056 Common Shares.

NOTE 8:- SELECTED STATEMENTS OF PROFIT OR LOSS DATA

	Six months ended June 30, 2022	Six months ended June 30, 2021
Salaries and related expenses	$ 13,071	$ 6,773
Depreciation and amortization	$ 4,060	$ 1,643
Revaluation of other receivable (*)	$ 3,818	$ -

(*) As more fully described in Note 5 to the annual consolidated financial statements, upon the acquisition of Trichome Financial Corp in 2021 (the "Trichome Transaction"), the Company recorded approximately $8,131 to settle withholding tax liabilities to Canada Revenue Agency ("CRA"), with a corresponding indemnification asset comprised of 927,463 Common Shares of the Company withheld to cover the tax liabilities. In addition, certain directors and officers of the Company and Trichome agreed to indemnify and hold harmless the Company to cover certain tax liabilities, interest and penalties arising from the Trichome Transaction. The chairman of the Company's board of directors (a former director of Trichome) also entered into a security pledge agreement with the Company to secure the obligations under the Indemnification Agreement, with the pledge consisting of certain securities of the Company owned by the chairman (the "Indemnification Asset").

During the six months ended June 30, 2022, in a partial satisfaction of the indemnification asset, the chairman transferred cash to the Company in the amount of $3,250 and a portion of the tax liability was paid. As of June 30, 2022, the Company's financial statements include a tax liability of $6,280 and a tax indemnification asset of $2,224. During the six months ended June 30, 2022, the Company recorded a revaluation loss of the indemnification asset in the amount of $3,818 which was recorded under general and administrative expenses.

NOTE 9:- NET EARNINGS (LOSS) PER SHARE

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

	Six months ended June 30, 2022		Six months ended June 30, 2021	
	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	69,427	$ (28,117)	46,112	$ (125)
Effect of potential dilutive Ordinary shares	1,809	(5,703)	-	(12,702)
For the computation of diluted net earnings	71,236	$ (33,820)	46,112	$ (12,827)

NOTE 9:- NET EARNINGS (LOSS) PER SHARE (Cont.)

	Three months ended June 30,			
	2022		2021	
	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	68,634	$ (18,665)	45,616	$ (4,630)
Effect of potential dilutive Ordinary shares	3,077	(3,028)	-	(5,642)
For the computation of diluted net earnings	71,711	$ (21,693)	45,616	$ (10,272)

NOTE 10:- OPERATING SEGMENTS

a. Reporting operating segments:

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments. The Company's Chief Executive Officer is the CODM. The Company has determined that it operates in three operating segments.

Six months ended June 30, 2022:

	Israel	Canada	Germany	Adjustments	Total
Revenue	$ 24,206	$ 21,686	$ 1,498	$ -	$ 47,390
Inter-segment revenues	$ -	$ 2,481	$ -	$ (2,481)	$ -
Total revenues	$ 24,206	$ 24,167	$ 1,498	$ (2,481)	$ 47,390
Segment loss	$ (9,986)	$ (15,880)	$ (2,009)	$ -	$ (27,875)
Unallocated corporate expenses	$ -	$ -	$ -	$ (2,332)	$ (2,332)
Total operating loss	$ (9,986)	$ (15,880)	$ (2,009)	$ (2,332)	$ (30,207)
Depreciation, amortization and impairment	$ 1,316	$ 2,744	$ -	$ -	$ 4,060

NOTE 10:- OPERATING SEGMENTS (Cont.)

Six months ended June 30, 2021:

	Israel	Canada	Germany	Adjustments	Total
Revenue	$ 9,807	$ 3,778	$ 6,294	$ -	$ 19,879
Segment loss	$ 9,807	$ 3,778	$ 6,294	$ -	$ 19,879
Unallocated corporate expenses	$ -	$ -	$ -	$ (4,524)	$ (4,524)
Total operating loss	$ (776)	$ (5,996)	$ (1,126)	$ (4,524)	$ (12,422)
Depreciation, amortization and impairment	$ 1,038	$ 565	$ 40	$ -	$ 1,643

NOTE 11:- SUBSEQUENT EVENTS

Subsequent to June 30, 2022, on August 5, 2022, as part of the Company's cost saving plans and restructuring actions in Canada, the Company entered into a related party share price agreement with current and former management members of Sublime. The total consideration amounted to $100 less working capital adjustments, for a final net purchase price of $89.

Exhibit 99.3

IM Cannabis Corp.

Management's Discussion and Analysis

For the Three and Six Months Ended June 30, 2022

August 15, 2022

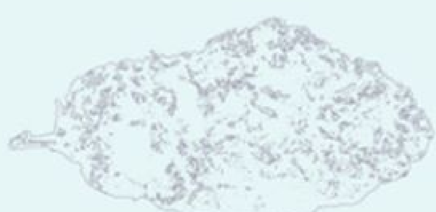


TABLE OF CONTENTS

INTRODUCTION

IM Cannabis Corp. ("**IM Cannabis**" or the "**Company**") is a British Columbia company whose business formed on October 11, 2019 as the result of a reverse takeover with IMC Holdings Ltd. (the "**Reverse Takeover Transaction**"), pursuant to which the Company changed its name from "Navasota Resources Inc." to "IM Cannabis Corp." and changed its business from mining to the international medical cannabis industry. The Company's common shares (the "**Common Shares**") trade under the ticker symbol "IMCC" on both the NASDAQ Capital Market ("**NASDAQ**") and the Canadian Securities Exchange ("**CSE**") as of March 1, 2021 and November 5, 2019, respectively. The Reverse Takeover Transaction is more fully described under "*Review of Financial Performance – Share Capital – Financial Background*".

This Management's Discussion and Analysis ("**MD&A**") reports on the consolidated financial condition and operating results of IM Cannabis for the three and six months ended June 30, 2022. Throughout this MD&A, unless otherwise specified, references to "we", "us", "our" or similar terms, as well as the "Company" and "IM Cannabis" refer to IM Cannabis Corp., together with its subsidiaries, on a consolidated basis, and the "Group" refers to the Company, its subsidiaries, Focus Medical Herbs Ltd. and High Way Shinua Ltd.

This MD&A should be read in conjunction with the interim condensed consolidated financial statements of the Company and the notes thereto for the three and six months ended June 30, 2022 (the "**Interim Financial Statements**") and with the Company's audited annual consolidated financial statements and the notes thereto for the years ended December 31, 2021 and 2020 (the "**Annual Financial Statements**"). References herein to "Q2 2022" and "Q2 2021" refer to the three months ended June 30, 2022 and June 30, 2021, respectively, and references to "2021" refer to the year ended December 31, 2021.

The Interim Financial Statements have been prepared by management in accordance with the International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amount of assets and liabilities at the date of the Interim 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 Group, which includes, among others, the following entities:

Legal Entity	Jurisdiction	Relationship with the Company
IMC Holdings Ltd. ("**IMC Holdings**")	Israel	Wholly-owned subsidiary
I.M.C. Pharma Ltd. ("**IMC Pharma**")	Israel	Wholly-owned subsidiary of IMC Holdings
Focus Medical Herbs Ltd. ("**Focus**")	Israel	Private company over which IMC Holdings exercises "de facto control" under IFRS 10 *Consolidated Financial Statements* ("**IFRS 10**")
R.A. Yarok Pharm Ltd. ("**Pharm Yarok**")	Israel	Wholly-owned subsidiary of IMC Holdings
Rosen High Way Ltd. ("**Rosen High Way**")	Israel	Wholly-owned subsidiary of IMC Holdings
High Way Shinua Ltd. ("**HW Shinua**")	Israel	Private company over which IMC Holdings exercises "de facto" control under IFRS 10
Revoly Trading and Marketing Ltd. dba Vironna Pharm ("**Vironna**")	Israel	Subsidiary of IMC Holdings
Oranim Plus Pharm Ltd. ("**Oranim Plus**")	Israel	Subsidiary of IMC Holdings
Trichome Financial Corp. ("**Trichome**")	Canada	Wholly-owned subsidiary
Trichome JWC Acquisition Corp. ("**TJAC**")	Canada	Wholly-owned subsidiary of Trichome
MYM Nutraceuticals Inc. ("**MYM**")	Canada	Wholly-owned subsidiary of Trichome
Culture Inc. ("**Sublime**")	Canada	Previous wholly-owned subsidiary of TJAC. For more information, see "*Corporate Highlights - Subsequent Events – Canadian Restructuring*"
Highland Grow Inc. ("**Highland**")	Canada	Wholly-owned subsidiary of MYM International Brands Inc., a wholly-owned subsidiary of MYM
Adjupharm GmbH ("**Adjupharm**")	Germany	Subsidiary of IMC Holdings

All intercompany balances and transactions were eliminated on consolidation.

All dollar figures in this MD&A are expressed in thousands of Canadian Dollars ($), except per share data and unless otherwise noted. All references to "NIS" are to New Israeli Shekels. All references to "€" or to "Euros" are to Euros. All references to "US$" or to "U.S. Dollars" are to United States Dollars. The Company's shares, options, units and warrants are not expressed in thousands. Prices are not expressed in thousands.

NON-IFRS FINANCIAL MEASURES

Certain non-IFRS financial measures are referenced in this MD&A that do not have any standardized meaning under IFRS, including "Gross Margin", "EBITDA" and "Adjusted EBITDA". The Company believes that these non-IFRS financial measures and operational performance measures, in addition to conventional measures prepared in accordance with IFRS, enable readers to evaluate the Company's operating results, underlying performance and prospects in a similar manner to the Company's management. For a reconciliation of these non-IFRS financial measures to the most comparable IFRS financial measures, as applicable, see the "*Metrics and Non-IFRS Financial Measures*" section of the MD&A.

NOTE REGARDING THE COMPANY'S ACCOUNTING PRACTICES

The Company complies with IFRS 10 to consolidate the financial results of Focus, a holder of an Israeli Medical Cannabis Agency (the "**IMCA**") license which allows it to import and supply cannabis products, on the basis of which IMC Holdings exercises "de facto control". For a full explanation of the Company's application of IFRS 10, see "*Legal and Regulatory – Restructuring"* and "*Legal and Regulatory – Risk Factors"*.

For the period ended June 30, 2022, the Company analyzed the terms of the definitive agreement with HW Shinua in accordance with IFRS 10 and concluded that it is required to consolidate the financial results of HW Shinua as of the date of signing the definitive agreements therewith. The definitive agreement provides the Company with the power to unilaterally make all decisions regarding the financial and operating policies of HW Shinua and the right to obtain all related economic benefits. HW Shinua is to be acquired by the Group pursuant to a July 28, 2021 definitive agreement in which IMC Holdings acquired all of the issued and outstanding shares of each of (i) Pharm Yarok; and (ii) Rosen High Way; and will acquire HW Shinua, an applicant for a medical cannabis transportation license, upon receipt of requisite approvals from the IMCA. The financial results of HW Shinua continue to be consolidated in compliance with IFRS 10.

EXECUTIVE SUMMARY

OVERVIEW – CURRENT OPERATIONS IN ISRAEL, CANADA AND GERMANY

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

The Company operates in Canada through Trichome and its subsidiaries TJAC and MYM, where it cultivates, processes and sells premium and ultra-premium cannabis at its own facilities under the WAGNERS and Highland Grow brands for the adult-use market in Canada, and exports premium and ultra-premium medical cannabis to Israel and eventually to Germany.

In Israel, the Company imports, distributes and sells cannabis to local medical patients by operating medical cannabis retail pharmacies, online platforms, distribution centres and logistical hubs operating through IMC Holdings' subsidiaries and Focus.

In Germany, the IM Cannabis ecosystem operates through Adjupharm, importing and distributing cannabis to pharmacies for patients, and acting as the Company's entry point for potential Europe-wide distribution in the future.

OUR GOAL - DRIVE PROFITABLE REVENUE GROWTH

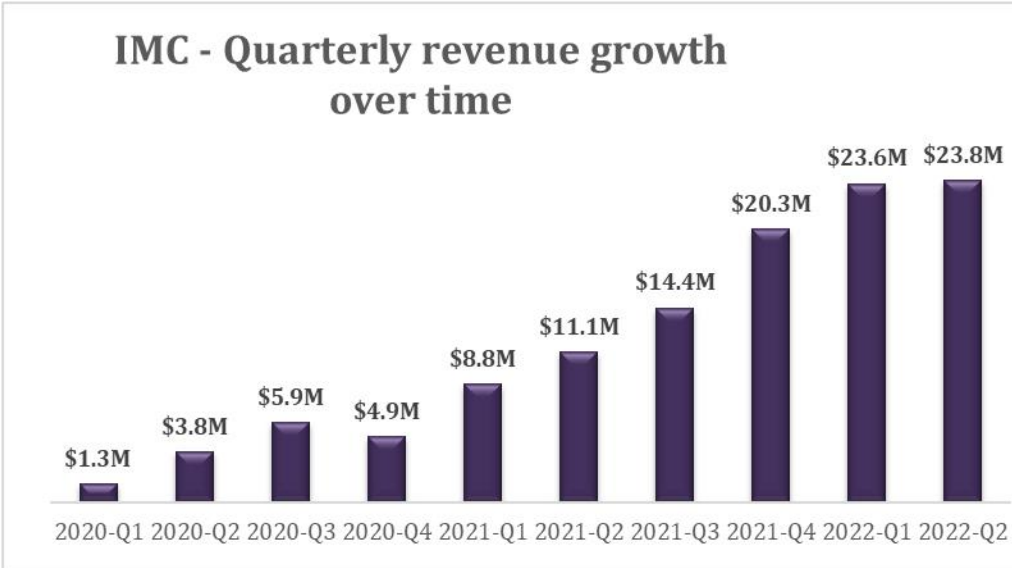
Our primary goal is to sustainably increase revenue in each of our core markets to build long-term shareholder value while actively managing costs and margins.

HOW WE PLAN TO ACHIEVE OUR GOAL – FOUR CORE STRATEGIES

Our strategy to grow sustainable revenues consists of:

- Geographic diversification and preparation to target, upon legalization, new adult-use recreational cannabis markets in Germany and Israel, while leveraging the cultivation excellence, consumer insights and experienced team in the mature Canadian market.
- Properly positioned brands with respect to target-market, price, potency and quality, such as the successful mid-2021 launch of WAGNERS in Canada. By Q2 2022, both WAGNERS and Highland Grow were among the top 3 premium and ultra-premium cannabis brands in Ontario (Canada's largest province) by retail market share.[1]
- High-quality, reliable supply to our customers and patients, leading to recurring sales.
- Ongoing introduction of new SKUs to keep consumers and patients engaged.

RESULTS – SEQUENTIAL REVENUE GROWTH IN Q2 2022



STRATEGY IN DETAIL

GEOGRAPHIES AND NEW MARKETS

The Company operates in the Israeli and German medical cannabis markets and the Canadian adult-use recreational market.

Israel

In Israel, we continue to expand IMC brand recognition and supply the growing Israeli medical cannabis market with our branded products. The Company offers medical cannabis patients a rich variety of high-end medical cannabis products through its cultivation partners and continues to focus on importing premium and ultra-premium indoor-grown dried cannabis from our licensed cultivation facilities operated by TJAC and MYM in Canada (the "**Canadian Facilities**") and our world-leading cannabis suppliers and supply partners. For more information, see "*Strategy in Detail – High-Quality, Reliable Supply – Canada".* In addition to the benefits of the Group's long-term presence in Israel, we believe that with our globally integrated supply chain and strong commercial partnerships, the Company is well-positioned to address the ongoing needs and preferences of medical cannabis patients in Israel.

[1] Depletion and e-commerce sales data from Ontario Cannabis Store - Sale of Data report for period between April 1, 2022 – June 30, 2022 for dried flower product between $7.50 - $9.99/gram and above $12.99/gram, respectively.

Since the beginning of 2021, the Company has focused on entering additional segments of the medical cannabis market in Israel, including the distribution and retail segments. The acquisitions of Israeli pharmacies Pharm Yarok, Vironna and Oranim Pharm (collectively, the " **Israeli Pharmacies**") positions IM Cannabis as a large distributor of medical cannabis in Israel. We are strategically focused on establishing and reinforcing a direct connection with medical cannabis patients, providing direct access to IM Cannabis products, obtaining and leveraging market data and gaining a deeper understanding of both patient and consumer preferences. The acquisition of the Israeli Pharmacies allows the Company to increase purchasing power with third-party product suppliers, offers potential synergies with our established call centre and online operations, achieves higher margins on direct to patient sales and creates the opportunity for up-sales across a growing range of products.

The Company has also acquired home-delivery services and an online retail footprint, operating under the name *"Panaxia-to-the-Home*" ("**Panaxia-to-the-Home**"), which includes a customer service centre and an Israeli medical cannabis distribution license (the "**Panaxia GDP License**"), from Panaxia Pharmaceutical Industries Israel Ltd. and Panaxia Logistics Ltd., part of the Panaxia Labs Israel, Ltd. group of companies (collectively referred to as the "**Panaxia Transaction**"). The Panaxia Transaction includes a further option to acquire a pharmacy for no additional consideration, including requisite licenses to dispense and sell medical cannabis to patients, which the Company has exercised as part of the Panaxia Transaction (the "**Panaxia Pharmacy Closing**"). The Panaxia Pharmacy Closing is expected to occur in Q3 2022.

The Company's acquisition of Rosen High Way, a trading house, and the Panaxia GDP License are expected to expand its sales channels, distribution, delivery and storage capacity, and strengthen the Group's ability to directly reach medical cannabis patients and service more than 90 pharmacies across the country. Following the acquisition of the Israeli Pharmacies, IMC Holdings has become, a licensed medical cannabis retailer in Israel, operating through (i) Oranim Plus, Israel's largest pharmacy in Jerusalem and third largest in Israel, (ii) Vironna, the number one pharmacy in the Arab sector, and (iii) Pharm Yarok, the largest pharmacy in the Sharon plain area and one of the biggest call centers in the country. The Company expects that these acquisitions will increase revenue and market share from its Israeli medical cannabis market activities.

Canada

Following the completion of the Company's acquisition of Trichome on March 18, 2021 (the "**Trichome Transaction**") and MYM on July 9, 2021 (the "**MYM Transaction**"), the Company's global cannabis platform evolved to include operations in the adult-use recreational cannabis market in Canada and supplemented its established medical cannabis operations in Israel and Germany.

Through its wholly-owned subsidiary, TJAC, Trichome operates as a licensed producer of cannabis products in the Canadian cannabis market and sells adult-use recreational cannabis products under the popular WAGNERS brand. WAGNERS is widely available at cannabis retailers throughout Canada, with the exception of the province of Quebec.

MYM operates through its wholly-owned subsidiary, Highland, a licensed producer. Highland produces cannabis products for the adult-use recreational cannabis market under the popular Highland Grow brand, which is widely available at cannabis retailers throughout Canada, with the exception of the province of Quebec.

The brands acquired in the Trichome Transaction and the MYM Transaction complement each other and the larger IM Cannabis ecosystem. The WAGNERS brand targets the premium cannabis market segment (ranging from $7.50-$9.99 per gram at the consumer level), while Highland Grow targets the ultra-premium market segment (at a price range starting at $12.99 per gram at the consumer level). The Trichome Transaction and the MYM Transaction also offer the Company an efficient, vertically integrated avenue to provide product to the Israeli and German markets.

The Canadian cannabis market is more mature than the other jurisdictions in which we operate, yet market growth is still expected to continue to grow in the coming years, with an estimated market growth from $1.13 billion in Q2 2022 ($4.5 billion annualized)[2] to $6.7 billion in annual sales by 2026.[3] The Company continues to capitalize on numerous opportunities to grow its market share within Canada, including:

- Anticipating entry into Quebec, which accounts for approximately 23% of Canada's population.
- Launching new SKUs, products and formats to meet consumer demand, including new concentrate offerings, infused pre-rolls, and larger format flower SKUs
- Continuing to expand competitive market share in key Canadian cannabis markets, of which Ontario is Canada's largest:
  - In Ontario, WAGNERS has increased from 0% market share in May 2021 to 8.9% in the premium dried flower segment in Q2 2022.[4]
  - Highland held over 10% market share in the ultra-premium segment in Ontario in Q2 2022.[5]
- Engaging directly with current and prospective customers, retailers, and consumers, and expanding the number of retail locations our products are available in.

In Q2 2022, the Company commenced a restructuring plan (the "**Canadian Restructuring**") aimed at saving approximately $1,000 quarterly in cash expenses. The Canadian Restructuring includes the sale of Sublime, halting cultivation at the Highland Facility (which continues to be used for packaging and storage) and a workforce reduction throughout its Canadian operations. The majority of the cost reduction efforts are expected to occur in Q3 2022, with the realization of the cost savings expected to begin in Q4 2022. All cultivation, genetics, and logistics have been centralized in the Company's facilities in Kitchener, Ontario which has sufficient cultivation capacity to support the streamlining initiative.

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2 Based on HiFyre Data for period between March 31, 2022 – June 30, 2022.

3 BDSA, https://www.globenewswire.com/news-release/2021/09/21/2300624/0/en/BDSA-Reports-Global-Cannabis-Sales-Surge-41-YoY-in-2021-Will-Surpass-62-Billion-by-2026.html

4 Depletion and e-commerce sales data from Ontario Cannabis Store - Sale of Data report for period between April 1 – June 30, 2022 for dried flower product between $7.50 - $9.99/gram.

5 *Ibid* for dried flower product above $12.99/gram.

Germany

In Europe, the Company operates in Germany through Adjupharm, its German subsidiary and EU-GMP certified medical cannabis producer and distributor. We continue to lay our foundation in Germany, which is currently the European market with the largest number of medical cannabis patients.[6] Leveraging our global supply chain, IM Cannabis continues to focus on growing its business in Germany to be well-positioned through brand recognition in preparation for future regulatory reforms.

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

While the Company does not currently distribute products in other European countries, the Company intends to leverage the foundation established by Adjupharm, its state-of-the-art, approximately 8,000 square foot warehouse space and EU-GMP production facility in Germany that was completed in July 2021 (the "**Logistics Centre**"), and its network of distribution partners to expand into other jurisdictions across the continent. The Company expects that the Logistics Centre will allow the Company to execute all aspects of its supply chain, including the repackaging of bulk cannabis and distribution capabilities. For more information see, "*Corporate Highlights and Events – Key Highlights for the Quarter Ended June 30, 2022.*" section of the MD&A.

BRANDS

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

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

Israeli Medical Cannabis Business

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

The IMC brand has established its reputation in Israel for quality and consistency over the past 10 years and more recently with new high-end ultra-premium strains that have made it to the top-sellers list in pharmacies across the country.

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

[6] The European Cannabis Report – Edition 7 https://prohibitionpartners.com/2022/03/31/launching-today-the-european-cannabis-report-7th-edition/

In 2021, IMC was rebranded with a refreshed logo, packaging, design language and tone with a bold new design to better position itself in the competitive Israeli medical cannabis market, also introducing a variety of new available products for medical cannabis patients.

As part of its rebranding, the IMC brand now offers four different product lines, leading with the Craft Collection. The Craft Collection offers the highest quality Canadian craft flower and has established IMC as the leader of the ultra-premium segment in Israel, selling at the highest prices available.

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

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

The Reserve Collection – The IMC brand’s premium product line with indoor-grown, high-THC cannabis flowers. Launched in Q1 2022 with BC Pink Kush.

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

The WAGNERS brand launched in Israel in Q1 2022. For more information, see "*Strategy in Detail – Brands – New Product Offerings*" section of the MD&A.

Canadian Adult-Use Recreational Cannabis Business

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

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

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

Key WAGNERS flower strains include Dark Helmet, Cherry Jam, Silverback #4, Pink Bubba, Blue Lime Pie, Purple Clementine, Rainforest Crunch, Golden Ghost OG and Tiki Rain, and Turpy Slurpy. WAGNERS expects to launch its Stone Sour and Forbidden RNTZ strains in Q3 2022:

The Highland Grow brand portfolio includes six core flower strains: Gaelic Fire, Diamond Breath, White Lightning, Sensi Wizard, Cherry Burst, and Gas Tank as well as the newly added Leviathan, Frostbite and Space Jagger strains.

7 Depletion and e-commerce sales data from Ontario Cannabis Store - Sale of Data report for period between April 1 – June 30, 2022 for dried flower product between $7.50 - $9.99/gram and above $12.99/gram, respectively.

German Medical Cannabis Business

In Germany, the Company sells IMC-branded dried flower products. The medical cannabis products sold in the German market are branded generically as IMC to increase recognition of the Company’s brand in establishing a foothold with German healthcare professionals. The Company’s IMC-branded cannabis products were launched in Germany with one high-THC flower strain in 2020. In Q4 2021, Adjupharm launched another high-THC flower strain and two full spectrum extracts. In Q1 2022 Adjupharm launched a third strain, a high-CBD flower, to offer a more complete portfolio to German physicians and patients. In Q2 2022, May was the strongest sales month to date, and the Company's IMC Hindu Kush strain was the top selling T20 in the market, strengthening Adjupharm GmbH's ("Adjupharm") position as one of the top 10 cannabis companies in Germany.

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

HIGH-QUALITY, RELIABLE SUPPLY

Israel

Over the last decade, Focus was the primary cultivator of medical cannabis products sold under the IMC brand in the Israeli market. Until July 2022, Focus held an IMCA license to cultivate medical cannabis at its cultivation facility (the “**Focus Facility**”). In Q2 2022, the Company closed the Focus Facility to concentrate on leveraging the import of medical cannabis from its Canadian Facilities and third-party suppliers of quality medical cannabis. In July 2022, Focus received an IMCA license which allows it to import cannabis products and directly supply activity medical cannabis patients. To supplement growing demand, the Company will continue to purchase medical cannabis from third-party cultivation facilities in Israel and cultivate its genetics at third-party cultivation facilities in Israel and will rely on its existing inventory of proprietary genetics for the development.

Since 2021, the Company has focused on securing additional supply from its supply partners from outside of Israel, leveraging its improved purchasing capabilities and global presence, as well as facilitating the import of indoor-grown premium and ultra-premium cannabis from the Canadian Facilities. Importing from the Canadian Facilities aligns with the Company's strategy of acquiring Trichome and MYM to serve as a long term, reliable source of supply to both the Israeli and German markets.

Pursuant to the applicable Israeli cannabis regulations, following the cultivation or import of medical cannabis, medical cannabis products are then packed by contracted licensed producers of medical cannabis. The packaged medical cannabis products are then sold by the Group under the Company's brands to local Israeli pharmacies directly or through contracted distributors.

Canada

In Canada, our primary customers are provincially-owned cannabis wholesalers who in turn sell to private and public retail locations where the consumer ultimately purchases cannabis products.

The Company supplies the WAGNERS and Highland Grow brands through a combination of internally cultivated production from the Company's facility in Ontario. To diversify the Company's supply lines, the Company also purchases carefully curated cannabis to match its consumers' demands and expectations.

The following table describes the Canadian Facilities:

Facility	**Location**	**Description**
Manitou Facility	Ontario	Flagship 32,050 square metre facility, with approximately 4,340 square metre of cultivation space
Trillium Facility	Ontario	Approximately 1,400 square metre processing and cultivation facility
Sublime Facility	Quebec	Approximately 930 square metre cultivation and storage facility. This facility has been sold as part of the Canadian Restructuring. For more information, see "*Corporate Highlights and Events –* S*ubsequent Events*".
Highland Facility	Nova Scotia	Approximately 530 square metre cultivation and storage facility. Although cannabis cultivation has been halted at this facility as part of the Canadian Restructuring, the facility continues to be utilized for packaging and storage.

Following the sale of Sublime in August 2022, TJAC continues to operate the Manitou Facility and Trillium Facility and the Highland Facility is operated by Highland. The Canadian Facilities are authorized to cultivate and process cannabis pursuant to their Health Canada-issued licenses (the “**TJAC Licenses**” and the “**MYM License**”, respectively), however, only the Trillium Facility and the Highland Facility hold licenses to sell cannabis on a non-B2B basis.

Germany

The Company continues to expand its presence in the German market by forging partnerships with pharmacies and distributors across the country and developing Adjupharm and the Logistics Centre as the Company’s European hub. Adjupharm sources its supply of medical cannabis for the German market from various EU-GMP certified European and Canadian suppliers. The Logistics Centre upgraded Adjupharm’s production technology and increased its storage capacity to accommodate its anticipated growth. The Company is also focused on enabling exporting products into Germany from its Canadian Facilities, which will offer Adjupharm a reliable long-term source of supply with minimal risks inherent in the supply chain.

Adjupharm currently holds wholesale, narcotics handling, manufacturing, procurement, storage, distribution, and import/export licenses granted to it by the applicable German regulatory authorities (the “**Adjupharm Licenses**”).

NEW PRODUCT OFFERINGS

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

Israel

In conjunction with its Israeli cultivation partners growing cannabis in Israel, the Company is also importing premium cannabis from its Canadian Facilities and third-party suppliers. Canadian indoor-grown cannabis commands a premium to the Israeli consumer.

In Q2 2022, the Company expanded the Craft collection and launched the Cherry Crasher cannabis strain along with Watermelon Z with additional products expected to join the Company’s Israeli medical cannabis product portfolio later this year like Strawnana, Lemon Rocket and Diesel Drift.

The company will also launch pre-rolls of its most successful and well-known strain Roma® for the first time.

The WAGNERS brand launched in Israel in Q1 2022, with premium indoor-grown cannabis from the Canadian Facilities. For the first time in the Israeli market, the WAGNERS brand introduced premium, imported, indoor-grown flower at a competitive price point, which is due in large part to the Group’s vertically integrated global supply chain reducing costs across the chain.

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

Canada

The Company has amassed a portfolio of cannabis strains through the MYM Transaction and is regularly evaluating and bringing new strains to market.

WAGNERS launched new strains in Q2 2022: Tiki Rain, Rainforest Crunch, Golden Ghost OG and Turpy Slurpy as well as Sticky Black Hash in a 2g format. In Q3 2022, the Company plans to launch additional offerings, including Stone Sour and Forbidden RNTZ dried flower and pre-rolls as well as Cherry Jam and Pink Bubba pocket rockets in an infused pre-roll format (3 x 0.5g).

In Q3 2022, in addition to its White Lightning pre-rolls, Highland plans to launch two new pre-roll SKUs in Ontario, for a total of three, and continue its rollout of its Frostbite, Space Jagger and Leviathan strains on a national level, with the exception of the province of Quebec.

In Q3 2022, the Company's distributed brand, Dymond Concentrates, is expected to bring to market varieties of infused products including pre-rolls and milled flower featuring strains such as Dymond Crown OG, Lemosa and Face Mntz.

Germany

The evolution and expansion of our portfolio shows our commitment to German physicians and patients to provide the best available strains in the global cannabis market and the opportunity to tailor treatments for each individual medical cannabis patient.

CORPORATE HIGHLIGHTS AND EVENTS

KEY HIGHLIGHTS FOR THE QUARTER ENDED JUNE 30, 2022

In Q2 2022, the Company continued to execute on its 2021 strategy by integrating the strategic acquisitions completed in Q1 2022 and focusing on disciplined spending throughout the Group while implementing cost efficiencies through vertical integration. The Company's key highlights and events for the three months ended June 30, 2022 include:

Closure of Sde Avraham Farm in Israel

At the end of Q1 2022, the Company outlined new strategic imperatives designed to enhance organizational efficiency and reduce operating costs while further responding to the increased demand for premium, indoor-grown Canadian cannabis from Israeli consumers. As part of these changes, Focus decided to close the Focus Facility. Focus has commercial agreement with IM Cannabis to distribute its production under the IMC brand. The closure of the Focus Facility was completed in Q2 2022 and allows the Company to better leverage its fully licensed import-export supply chain and focus on importing premium and ultra-premium products from its subsidiaries in Canada and other leading Canadian suppliers. IM Cannabis will continue to support the cultivation sector in Israel by concentrating on purchasing from third-party cultivation facilities in Israel that have advanced technological greenhouses, cultivate its genetics at third-party cultivation facilities in Israel and will rely on its existing inventory of proprietary genetics.

Biome Grow Inc. Default

On April 4, 2022, the Company issued a Notice of Event of Default and Acceleration (the "**Notice of Default**") to Biome Grow Inc. (the "**Guarantor**") and its subsidiary, Cultivator Catalyst Corp. (the "**Borrower**" together with the Guarantor, the "**Obligors**"), for a total outstanding principal plus accrued and unpaid interest of approximately $2,680 (the "**Biome Loan**"). The Company issued the Notice of Default after several failed attempts to engage the Obligors regarding an extension and repayment of the Biome Loan. On April 20, 2022, the Company issued a demand letter to the Obligors seeking immediate payment, along with a Notice to Enforce Security pursuant to section 244 of the *Bankruptcy and Insolvency Act* (Canada). On May 3, 2022, MYM filed an application with the Superior Court of Justice in Ontario (the "**Superior Court**") to appoint a receiver to take control of the Obligors' assets, including the security, to effect repayment of the Biome Loan. The Biome Loan and related security agreements were entered into in July 2020, approximately one year prior to the Company's acquisition of MYM. As part of the Biome Loan, the Obligors agreed to repay all outstanding principal and accrued and unpaid interest no later than January 31, 2022. The amount of the Biome Loan and interest payable is secured by assets held in escrow by the Obligors pursuant to a general security agreement (the "**Collateral**").

On May 12, 2022, the Company applied to and received from the Superior Court an interim order to, among other things, freeze the assets of the Obligors including the assets, which comprise MYM's Collateral for the Biome Loan. MYM has applied to the Superior Court, which granted MYM's request for the receivership of the assets of the Obligors and has scheduled an in-person hearing for the receivership application on September 12, 2022.

Adjupharm EU-GMP licence

On May 24, 2022, and following the completion of the Logistics Centre, German regulatory authorities issued extended EU-GMP licence for the Adjupharm. This revised EU-GMP permits Adjupharm to engage in additional production, cannabis testing and release activities. It allows Adjupharm to repackage of bulk cannabis, to perform stability studies and offer such services to third parties.

SUBSEQUENT EVENTS

NASDAQ Compliance Notice

On July 13, 2022, the Company received written notification (the “**Notification Letter**”) from The Nasdaq Stock Market LLC that the Company is not in compliance with the minimum bid price requirement set forth in the rules for continued listing on NASDAQ (the “**Listing Rules**”). The Notification Letter does not impact the Company’s listing on NASDAQ at this time. In accordance with the Listing Rule, the Company has 180 calendar days, or until January 9, 2023, to regain compliance with the Listing Rules. To regain compliance, the Common Shares must have a closing bid price of at least US$1.00 for a minimum of 10 consecutive business days. In the event the Company does not regain compliance by January 9, 2023, the Company may be eligible for additional time to regain compliance or may face delisting. The Company is currently formulating a plan to regain compliance of the minimum bid price requirements within the allowable timeframe as per the Nasdaq Listing Rules.

The Company’s common shares are also listed on the CSE and the Notification Letter does not affect the Company’s compliance status with such listing.

Canadian Restructuring

In Q2 2022, the Company commenced a restructuring plan in Canada as part of its disciplined approach to spending and implementing cost efficiencies. On August 5, 2022, as part of the Canadian Restructuring, the Company entered into an agreement to sell all of the issued and outstanding shares of Sublime on an “as-is, where is” basis to a group of purchasers that included current and former members of the Sublime management team for aggregate proceeds of approximately $100 less working capital adjustments, for a final net purchase price of $89 (the “**Sublime Transaction**”). The Sublime Transaction included the sale of the Sublime Facility lease obligation and Sublime’s related operations. The transaction constituted a “related party transaction” within the meaning of Multilateral Instrument 61-101 – *Take-Over Bids and Special Transactions* (“**MI 61-101**”). Pursuant to Sections 5.5(a) and 5.7(1)(a) of MI 61-101, the transaction is exempt from the formal valuation and minority shareholder approval requirements of such instrument. For more information, see *“Strategy in Detail – Geographies and New Markets – Canada”* and *Transactions with Related Parties”*.

The Company will continue to support the Canadian Facilities and its Israeli and German operations by purchasing cannabis from world-leading cannabis suppliers and third-party supply partners.

REVIEW OF FINANCIAL PERFORMANCE

FINANCIAL HIGHLIGHTS

Below is the analysis of the changes that occurred for the three and six months ended June 30, 2022 with further commentary provided below.

	For the six months ended June 30, 2022	For the six months ended June 30, 2021	For the three months ended June 30, 2022	For the three months ended June 30, 2021	For the Year ended December 31, 2021
Net Revenues	$ 47,390	$ 19,879	$ 23,821	$ 11,112	$ 54,300
Gross profit before fair value impacts in cost of sales	$ 11,967	$ 5,229	$ 5,613	$ 602	$ 11,882
Gross margin before fair value impacts in cost of sales (%)	25%	26%	24%	5%	22%
Operating Loss	$ (30,207)	$ (12,422)	$ (18,658)	$ (10,717)	$ (38,389)
Loss	$ (29,719)	$ (374)	$ (18,978)	$ (5,089)	$ (18,518)
Loss per share attributable to equity holders of the Company – Basic (in CAD)	$ (0.40)	$ -	$ (0.27)	$ (0.10)	$ (0.31)
Loss per share attributable to equity holders of the Company - Diluted (in CAD)	$ (0.47)	$ (0.28)	$ (0.30)	$ (0.23)	$ (0.66)

	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021	For the Three months ended June 30, 2022	For the Three months ended June 30, 2021	For the Year ended December 31, 2021
Average net selling price of dried flower (per Gram)	$ 5.95	$ 4.33	$ 5.72	$ 3.92	$ 4.90
Average net selling price of other cannabis products (per Gram)[1]	$ 6.53	$ 3.68	$ 6.84	$ 3.18	$ 4.70
Quantity harvested and trimmed (in Kilograms)[2]	2,350	1,282	606	1,151	4,770
Quantity of other cannabis products sold (in Kilograms)[1]	1,143	203	642	158	1,033
Quantity of dried flower sold (in Kilograms)	6,245	3,028	3,210	1,842	8,410

Notes:

1. Cannabis selling prices in the Canadian market are characterized by lower selling prices than dried flowers in the Israeli and German market.
2. Including other cannabis products such as Concentrates, Kief, Hash and Pre-rolls.
3. Harvested flowers, after trimming and ready for manufacturing.

The Overview of Financial Performance includes reference to "Gross Margin", which is a non-IFRS financial measure that the Company defines as the difference between revenue and cost of revenues divided by revenue (expressed as a percentage), prior to the effect of a fair value adjustment for inventory and biological assets. For more information on non-IFRS financial measures, see the "*Non-IFRS Financial Measures*" and "*Metrics and Non-IFRS Financial Measures*" sections of the MD&A.

OPERATIONAL RESULTS

In each of the markets in which the Company operates, the Company must navigate evolving customer and patient trends in order for it to continue to be competitive with other suppliers of medical cannabis products.

The Company believes that there are a number of key factors creating tailwinds to facilitate further industry growth. In Israel, the number of licensed medical patients continues to increase and currently stands at 116,570 as of July 2022. This figure is expected to continue growing in the coming years and may further benefit from regulatory change liberalizing the cannabis market in Israel. Moreover, the acquisitions of the Israeli Pharmacies positions IM Cannabis as a large distributor of medical cannabis in Israel. As the Israeli cannabis market has become increasingly competitive, the ability to import premium cannabis from Canada is a key determinant of the Company's success in Israel.

In Canada, the adult-use recreational cannabis market is expected to grow from $1.13 billion in Q2 2022 ($4.5 billion annualized)[8] to $6.7 billion in annual sales by 2026.[9] The cannabis industry in Canada remains highly competitive and generally oversupplied, particularly in value products, and in part due to the ongoing viability of the illicit market.

The German medical cannabis market has been slower to develop due to the difficulty in medical patients accessing prescriptions and insurance reimbursements. The Company has, however, seen an increase in the number of patients paying out-of-pocket for medical cannabis products in Germany, which the Company believes is supportive of its business plan as it relies less on the need for patient's insurance coverage for re-imbursement.

The newly elected coalition government in Germany has endorsed the legalization of adult-use cannabis. While no specific legislation has yet been tabled and any implementation is expected to take time, the Company believes that Germany has the potential to be the second largest federally legal, adult-use market in the world.

The Company's outlook in Germany is further supported by its focus on the cultivation and distribution of premium and ultra-premium cannabis products exclusively, which the Company believes to be in the greatest demand in all of its markets. In comparison to other markets, the Company faces less competition in Germany and therefore is less likely to face significant price competition.

8 Based on HiFyre Data for period between October 1 – December 31, 2021.

9 BDSA, https://www.globenewswire.com/news-release/2021/09/21/2300624/0/en/BDSA-Reports-Global-Cannabis-Sales-Surge-41-YoY-in-2021-Will-Surpass-62-Billion-by-2026.html

REVENUES AND GROSS MARGINS

REVENUES

The revenues of the Group are primarily generated from sales of medical cannabis products to customers in Israel and Germany as well as adult-use recreational cannabis products to customers in Canada. The three reportable geographical segments in which the Company operates are Israel, Canada and Germany.

For the six months ended June 30:

	Israel		Canada		Germany		Adjustments		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenues	$ 24,206	$ 9,807	$ 21,686	$ 3,778	$ 1,498	$ 6,294	$ -	$ -	$ 47,390	$ 19,879
Inter-segment revenues	$ -	$ -	$ 2,481	$ -	$ -	$ -	$ (2,481)	$ -	$ -	$ -
Total revenues	$ 24,206	$ 9,807	$ 24,167	$ 3,778	$ 1,498	$ 6,294	$ (2,481)	$ -	$ 47,390	$ 19,879
Segment income (loss)	$ (9,986)	$ (776)	$ (15,880)	$ (5,996)	$ (2,009)	$ (1,126)	$ -	$ -	$ (27,875)	$ (7,898)
Unallocated corporate expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ (2,332)	$ (4,524)	$ (2,332)	$ (4,524)
Total operating (loss) income	$ (9,986)	$ (776)	$ (15,880)	$ (5,996)	$ (2,009)	$ (1,126)	$ (2,332)	$ (4,524)	$ (30,207)	$ (12,422)
Depreciation & amortization	$ 1,316	$ 1,038	$ 2,744	$ 565	$ -	$ 40	$ -	$ -	$ 4,060	$ 1,643

The consolidated revenues of the Group for the six months ended June 30, 2022 were attributed to the sale of medical cannabis products in Israel and Germany, as well as from the sale of adult-use recreational cannabis in Canada.

- Revenues for the six months ended June 30, 2022 and 2021 were $47,390 and $19,879, respectively, representing an increase of $27,511 or 138%. Revenues for the three months ended June 30, 2022 and 2021 were $23,821 and $11,112, respectively, representing an increase of $12,709 or 114%. The increase in revenues is primarily attributed to the increase in the quantity of medical and recreational cannabis products sold, as well as from the higher average selling price per gram the Company realized from its portfolio of premium branded cannabis products in Israel and Canada. Additional increase derived from the Company's organic growth and related synergies in the areas where it operates.
- Revenues from the Israeli operation were attributed to the sale of medical cannabis through the Company's agreement with Focus and the consolidation of revenues from the Company's acquisition of the Israeli Pharmacies.
- Revenues from the Company's Canadian operation include revenues from the sale of adult-use recreational cannabis in Canada through the acquisitions of TJAC and MYM.

- In Germany, Company revenues were attributed to the sale of medical cannabis through the Company's subsidiary, Adjupharm.
- Total dried flower sold for the six months ended June 30, 2022 was 6,245kg at an average selling price of $5.95 per gram compared to 3,028kg for the same period in 2021 at an average selling price of $4.33 per gram, derived mainly from the higher average selling price per gram the Company recognized through the acquisition of the Israeli pharmacies in Israel. Total dried flower sold for the three months ended June 30, 2022 was 3,210kg at an average selling price of $5.72 per gram compared to 1,842kg for the three months ended June 30, 2021 at an average selling price of $3.92 per gram.
- The increase in revenues related to dried flower in the six and three months ended June 30, 2022 is attributable to deliveries made under the Focus' sales agreements with pharmacies and revenues generated from Adjupharm, Trichome, MYM, and the Israeli subsidiaries.
- Total other cannabis product sold for the six months ended June 30, 2022 was 1,143kg at an average selling price of $6.53 per gram as compared to 203kg at an average selling price of $3.68 per gram in the six months ended June 30, 2021. Total other cannabis product sold for the three months ended June 30, 2022 was 642kg at an average selling price of $6.84 per gram compared to $158 for the three months ended June 30, 2021 at an average selling price of $3.18 per gram. Other cannabis products include kief, hash and pre-rolls and are attributable to Trichome and MYM and the sales of the WAGNERS, Highland and Sublime brands in 2022.

COST OF REVENUES

Cost of revenues is comprised of cultivation costs, purchase of materials and finished goods, utilities, salary expenses and import costs, including the purchase of raw materials, production, product testing, shipping and sales related costs. At harvest, the biological assets are transferred to inventory at their fair value which becomes the deemed cost for the inventory. Inventory is later expensed to the cost of sales when sold. Direct production costs are expensed through the cost of sales.

The fair value of biological assets is categorized within Level 3 of the fair value hierarchy. The inputs and assumptions used in determining the fair value of biological assets include:

1. Selling price per gram - calculated as the weighted average historical selling price for all strains of cannabis sold by the Group, which is expected to approximate future selling prices.

2. Post-harvest costs - calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants post-harvest, consisting of the cost of direct and indirect materials, depreciation and labor as well as labelling and packaging costs.

3. Attrition rate - represents the weighted average percentage of biological assets which are expected to fail to mature into cannabis plants that can be harvested.

4. Average yield per plant - represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant.

5. Stage of growth - represents the weighted average number of weeks out of the average weeks growing cycle that biological assets have reached as of the measurement date. The growing cycle is approximately 12 weeks.

The following table quantifies each significant unobservable input, and also provides the impact that a 10% increase/decrease in each input would have on the fair value of biological assets grown by the Company:

	June 30, 2022	December 31, 2021	10% change as of June 30, 2022	10% change as of December 31, 2021
	In CAD		In Thousands of CAD	
Average selling price per gram of dried cannabis	$ 3.61	$ 3.64	$ 186	$ 296
Average post-harvest costs per gram of dried cannabis	$ 0.76	$ 1.16	$ 41	$ 140
Attrition rate	30%	27%	149	100
Average yield per plant (in grams)	40	47	144	228
Average stage of growth	48%	47%	139	212

Note:

1. The cost of revenues for the six months ended June 30, 2022 and 2021 were $35,423 and $14,650, respectively, representing an increase of $20,773 or 142%. Cost of revenues for the three months ended June 30, 2022 and 2021 were $18,208 and $10,510, respectively, representing an increase of $7,698 or 73%.

Focus, Highland and TJAC expect net cost of revenues to vary from quarter to quarter based on the number of pre-harvest plants, after harvest plants, the strains being grown and technological progress in the trimming machines.

GROSS PROFIT

The Company's formula for calculating gross profit includes:

- production costs (current period costs that are directly attributable to the cannabis growing and harvesting process);
- materials and finished goods purchase costs;
- a fair value adjustment on sale of inventory (the change in fair value associated with biological assets that were transferred to inventory upon harvest); and
- a fair value adjustment on growth of biological assets (the estimated fair value less cost to sell of biological assets as at the reporting date).

Gross profit also includes the net change in fair value of biological assets, inventory expensed and production costs. Biological assets consist of cannabis plants at various after-harvest stages which are recorded at fair value less costs to sell after harvest.

Gross profit for the six months ended June 30, 2022 and 2021 was $10,585 and $4,460, respectively, representing an increase of $6,125 or 137%. For the three months ended June 30, 2022 and 2021 gross profit (loss) was $4,015 and $(568), respectively, representing a decrease of $4,583 or (807%).

Gross profit included gains (losses) from unrealized changes in fair value of biological assets and realized fair value adjustments on inventory sold of $(1,382) and $(769) for the six months ended June 30, 2022 and 2021, respectively. Losses from unrealized changes in fair value of biological assets and realized fair value adjustments on inventory sold for the three months ended June 30, 2022 and 2021 were $(1,598) and $(1,170), respectively. Fair value adjustments were impacted primarily due to lower valuation to unrealized biological assets during the six months ended June 30, 2022.

In the six months ended June 30, 2022, the impact of global inflation on the Company resulted in higher than usual operating costs, and in particular higher costs of raw materials, shipping and transport services and the cost of hiring skilled labor to ensure the Company remains on track with scheduled manufacturing and regulatory milestones. There is no assurance that inflation will not continue to have similar impacts on the Company's operations in Q3 and Q4 of 2022.

EXPENSES

GENERAL AND ADMINISTRATIVE

General and administrative expenses for the six months ended June 30, 2022 and 2021 were $20,226 and $12,388, respectively, representing an increase of $7,838 or 63%. For the three months ended June 30, 2022 and 2021, general and administrative expenses were $11,184 and $7,475, respectively, representing an increase of $3,709 or 50%.

The increase in the general and administrative expense is mainly attributable to the growing corporate activities in Israel and Canada following the Company's acquisitions in 2021. The expenses derived mainly from professional services, legal fees and other consulting services. The general and administrative expenses are comprised mainly from salaries to employees in the amount of $5,263, professional fees in the amount of $3,909, depreciation and amortization in the amount of $1,920, impairment of indemnification asset in the amount of $3,817 and insurance costs in the amount of $1,521.

On April 6, 2022, Focus announced its decision, from March 30, 2022, to close the Sde Avraham cultivation farm in Israel and therefore the Company recorded restructuring expenses related to impairment of property, plant and equipment, biological assets and right of use asset and liabilities, in the total amount of $4,383.

In June 2022, the Company commenced the Canadian Restructuring, aimed at saving approximately $1,000 in quarterly cash expenses. The majority of the cost reductions are expected to occur in the third quarter of 2022, with full realization of the cost savings plan in the fourth quarter of 2022. As a result of the Canadian Restructuring, the Company recognized a restructuring expense of $121, related inventory write-offs of $192, impairment of tangible assets of $2,886, and impairment of intangible asset of $1,581. For more information, see *"Strategy in Detail – Geographies and New Markets – Canada"*.

SELLING AND MARKETING

Selling and marketing expenses for the six months ended June 30, 2022 and 2021 were $8,746 and $2,485, respectively, representing an increase of $6,261 or 252%. For the three months ended June 30, 2022, selling and marketing expenses were $5,026, compared to $1,296 for the three months ended June 30, 2021, representing an increase of $3,730 or 288%. The increase in the selling and marketing expenses was due mainly to the Company's increased marketing efforts in Israel, brand launch in Germany, and increased distribution expenses relating to the growth in sales and consolidation of selling and marketing expenses of entities acquired in 2021. The increase in cost is also partially attributed to the rising costs of distribution, shipping and transport of the company's products.

SHARE-BASED COMPENSATION

Share-based compensation expense for the six months ended June 30, 2022 and 2021 was $2,658 and $2,003, respectively, representing an increase $655 or 33%. For the three months ended June 30, 2022 and 2021, share-based compensation expense was $1,048 and $1,373, respectively, representing a decrease of $325 or 24%. The increase for the six months ended June 30, 2022 was mainly due to the grant of new incentive stock options ("**Options**").

FINANCING

Financing income (expense), net, for the six months ended June 30, 2022 and 2021 was $(830) and $12,588, respectively, representing a decrease of $13,418 or 107%. For the three months ended June 30, 2022 and 2021, financing income (expense), net was $(1,385) and $5,665, respectively, representing a decrease of $7,050 or 124%. The change for the period was mainly due to the updated valuation of the Company's Warrants. This change includes the non-cash financial expense related to the Biome Loan in the amount of $1,803 as well as other financial instruments, affected by the Company's decreased share price, in the amount of $5,697 and $13,049, respectively.

NET INCOME/LOSS

Net loss for the six months ended June 30, 2022 and 2021 was $29,719 and $374, respectively, representing a net loss increase of $29,345 or 7,846%. For the three months ended June 30, 2022 and 2021, Net loss was $18,978 and $5,089 respectively, representing a net loss increase of $13,889 or 273%. The net loss increase related to factors impacting net income from operations described above, and financing income driven by revaluation of warrants and other financial instruments in the amount of $5,697, which were recorded against liability on the grant day and were re-evaluated at June 30, 2022 through profit or loss.

NET INCOME (LOSS) PER SHARE BASIC AND DILUTED

Basic loss per share is calculated by dividing the net profit attributable to holders of Common Shares by the weighted average number of Common Shares outstanding during the period. Diluted profit per Common Share is calculated by adjusting the earnings and number of Common Shares for the effects of dilutive warrants and other potentially dilutive securities. The weighted average number of Common Shares used as the denominator in calculating diluted profit per Common Share excludes unissued Common Shares related to Options as they are antidilutive. Basic Income (Loss) per Common Share for the six months ended June 30, 2022 and 2021 were $(0.40) and $nil per Common Share, respectively. For the three months ended June 30, 2022 and 2021 were $(0.27) and $(0.10) respectively.

Diluted Income (Loss) per Common Share for the six months ended June 30, 2022 and 2021 were $(0.47) and $(0.28) per Common Share, respectively. Diluted Income (Loss) per Common Share for the three months ended June 30, 2022 and 2021 were $(0.30) and $(0.23), respectively.

TOTAL ASSETS

Total assets as at June 30, 2022 were $255,305, compared to $287,388 as at December 31, 2021, representing a decrease of $32,083 or 11%. This decrease was primarily due to restructuring of the facilities in Sde Avraham and the Sublime Transaction leading to a depreciation of right-of-use assets and property plant and equipment in the amount of approximately $7,953. The additional decrease is attributed to the revaluation of other receivables in the amount of approximately of $3,818 and also by the translation of items denominated in NIS in the Company’s balance sheet.

INTANGIBLE ASSETS

On March 18, 2021, the Trichome Transaction was completed whereby the Company acquired all of the issued and outstanding securities of Trichome for a total Common Share consideration valued at approximately $99,028. Upon completion of the Trichome Transaction, the businesses of IM Cannabis and Trichome have been combined.

- Through the Trichome Transaction, the Company recognized goodwill of approximately $67,269 and intangible assets, primarily attributed to the cultivation license, worth approximately $6,458 (based on a preliminary purchase price allocation). The goodwill arising on acquisition is attributed to the expected benefits from the synergies of the combination of the activities of the Company and Trichome, as well as value attributed to the assembled workforce, which is included in goodwill. The goodwill recognized is not expected to be deductible for income tax purposes.

- The Company recognized the fair value of the assets acquired and liabilities assumed in the business combination according to a provisional measurement. The purchase consideration and the fair value of the acquired assets and liabilities may be adjusted within 12 months from the acquisition date. At the date of final measurement, adjustments are generally made by restating comparative information previously determined provisionally. As of the date of the Interim Financial Statements, a final valuation for the fair value of the identifiable assets acquired and liabilities assumed by an external valuation specialist had been obtained.

On July 9, 2021, the Company completed the MYM Transaction. As a result, the Company recognized goodwill of approximately $39,932 and intangible assets consisting of brand name and customer relationships worth approximately $17,200 (based on a preliminary purchase price allocation study). The goodwill arising on acquisition is attributed to the expected benefits from the synergies of the combination of the activities of the Company and MYM, as well as value attributed to the assembled workforce, which is included in goodwill. The goodwill recognized is not expected to be deductible for income tax purposes. As part of the closure of the Sublime Facility the Company recorded impairment of intangible assets in the amount of $1,581.

- The Company recognized the fair value of the assets acquired and liabilities assumed in the business combination according to a provisional measurement. The purchase consideration and the fair value of the acquired assets and liabilities may be adjusted within 12 months from the acquisition date. At the date of final measurement, adjustments are generally made by restating comparative information previously determined provisionally. As of the date of the Interim Financial Statements, a final valuation for the fair value of the identifiable assets acquired and liabilities assumed by an external valuation specialist had yet been obtained.

INVESTMENT IN XINTEZA

On December 26, 2019, IMC Holdings entered into a share purchase agreement with Xinteza API Ltd. (“**Xinteza**”), a company with a unique biosynthesis technology, whereby the Company acquired, on an as-converted and fully diluted basis, 25.37% of Xinteza’s outstanding share capital, for consideration of US$1,700 (approximately $2,165 as of December 31, 2021) paid in several installments (the “**Xinteza SPA**”). As of June 30, 2022, the Company has paid all outstanding installments pertaining to the Xinteza SPA and currently holds 23.35% of the outstanding share capital of Xinteza on an as-converted and fully diluted basis. On February 24, 2022, IMC Holdings entered into a simple agreement for future equity with Xinteza, under which IMC Holdings paid US$100 (approximately $125), in exchange for right to certain shares of Xinteza.

TOTAL LIABILITIES

Total liabilities as of June 30, 2022 were $75,764, compared to $82,443 at December 31, 2021, representing a decrease of $6,679 or 8%. The decrease was mainly due to a decrease of $3,298 in purchase consideration payable, $2,737 in accrued expenses and $5,703 in Warrants, offset by an increase of $8,500 in bank loans and financial facilities and $1,211 in trade payables.

LIQUIDITY AND CAPITAL RESOURCES

For the six months ended June 30, 2022, the Company recorded revenues of $47,390. In addition, Company collected $335 in proceeds from the exercises of Options.

As at June 30, 2022, the Company had a working capital surplus of $9,757 to further support its liquidity, compared to working capital surplus of $29,955 as at December 31, 2021.

The Company can face liquidity fluctuations from time to time, resulting from delays in sales and slow inventory movements.

On May 14, 2021, the Company's subsidiary, TJAC, entered into a revolving credit facility (the "**Revolver**") for $5,000 with a private Canadian creditor. The Revolver has an initial term of 12 months that can be extended upon the mutual agreement of both parties. Per annum interest is equal to the greater of (i) 9.75% and, (ii) the Toronto Dominion Bank prime rate, plus 7.30%. The Revolver has a standby fee of 2.40% per annum, which is charged against the unused portion. Advanced amounts are secured against the assets of TJAC and Trichome, with Trichome providing a guarantee for the Revolver. To maintain the Revolver, TJAC must abide by certain financial covenants, such as the maintenance of a tangible net worth greater than $5,000 and a debt service coverage ratio of 2:1. On September 23, 2021, TJAC increased the limit on the Revolver from $5,000 to $7,500 and added Highland's assets to the Revolver borrowing base. The increase will be used to finance TJAC and MYM's receivables in order to manage the timing of cash flows. On October 18, 2021, TJAC and MYM increased the limit on the Revolver to $10,000. The increase will be used to finance TJAC and MYM's receivables in order to manage the timing of cash flows. On March 29, 2022, the limit on the Revolver increased from $10,000 to $15,000 and was renewed for an additional 12 months.

In January 2022, Focus entered into a revolving credit facility with Bank Mizrahi (the "**Mizrahi Facility**"), which is guaranteed by certain Focus assets. Advances from the Mizrahi Facility will be used for working capital needs. The Mizrahi Facility has a total commitment of up to NIS 15,000 (approximately $6,000) and has a one-year term for on-going needs and 6-month term for imports and purchases needs. The Mizrahi Facility is renewable upon mutual agreement by the parties. The borrowing base available for draw at any time throughout the Mizrahi Facility and is subject to several covenants to be measured on a quarterly basis. The Mizrahi Facility bears interest of Israeli prime interest plus 1.5% (approximately 4.25% as of July 2022) per annum.

The Company believes that the generated cash flow from working capital in the different jurisdictions in which it operates, as well as future financing rounds and debt raises will meet all of its future capital requirements. In evaluating its capital requirements and the ability to fund the execution of its strategy, the Company believes it has adequate availability to meet its working capital and other operating requirements, fund growth initiatives and capital expenditures, settle its liabilities, and repay scheduled principal and interest payments on debt for at least the next twelve months.

The Company has ensured that it has access to public capital markets through its CSE and NASDAQ listings and continues to review and pursue selected external financing sources to ensure adequate financial resources. These potential sources include, but are not limited to, (i) obtaining financing from traditional or non-traditional investment capital organizations and (ii) obtaining funding from the sale of the Company's securities. There can be no assurance that we will gain adequate market acceptance for our products or be able to generate sufficient positive cash flow to achieve our business plans. We expect to continue funding these purchases with our available cash and cash equivalents. Therefore, we are subject to risks including, but not limited to, our inability to raise additional funds through financings to support our continued development, including capital expenditure requirements, operating requirements and to meet our liabilities and commitments as they come due.

As at June 30, 2022, the Company had a working capital surplus of $9,757, compared to working capital surplus of $29,955 as at December 31, 2021. The decrease in working capital of $20,198 was primarily due to increase in inventory, trade and other receivables, offset by trade and other payables including purchase consideration payable. As of June 30, 2022, the Company had a cash balance of $5,861.

As at June 30, 2022, 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, 2022, management considers liquidity risk to be low.

As at June 30, 2022, the Group has identified the following liquidity risks related to financial liabilities (undiscounted):

	Less than one year	1 to 5 years	6 to 10 years	> 10 years
Contractual Obligations	$ 33,550	$ 11,638	$ 14,042	-

The maturity profile of the Company's other financial liabilities (trade payables, other account payable and accrued expenses, and warrants) as of June 30, 2022 are less than one year.

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than one year**	**1 to 3 years**	**4 to 5 years**	**After 5 years**
Debt	$ 30,516	$ 30,162	$ 354	$ -	$ -
Finance Lease Obligations	$ 28,519	$ 3,193	$ 5,943	$ 5,341	$ 14,042
Operating Leases	$ 74	$ 74	$ -	$ -	$ -
Purchase Obligations[1]	$ -	$ -	$ -	$ -	$ -
Other Obligations[2]	$ 121	$ 121	$ -	$ -	$ -
Total Contractual Obligations	$ 59,230	$ 33,550	$ 6,297	$ 5,341	$ 14,042

Notes:

1. "Purchase Obligation" means an agreement to purchase goods or services that is enforceable and legally binding on the Company that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

2. "Other Obligations" means other financial liabilities reflected on the Company's statement of financial position.

The 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, 69,695,325 of which were issued and outstanding as at the date hereof.

The Common Shares confer upon their holders the right to participate in the general meeting with each Common Share carrying the right to one vote on all matters. The Common Shares also allow holders to receive dividends if and when declared and to participate in the distribution of surplus assets in the case of liquidation of the Company.

OTHER SECURITIES

As of June 30, 2022, the Company also has the following outstanding securities which are convertible into, or exercisable or exchangeable for, voting or equity securities of the Company: 4,574,828 Options, 550,000 restricted share units and 384,917 2019 Broker Compensation Options (as defined below), 3,043,478 2021 Offered Warrants (as defined below) and 33,731 unlisted warrants derived from the exercise of compensation options . For more information, see *"Financial Background"*.

FINANCIAL BACKGROUND

On October 11, 2019, the Company completed the Reverse Takeover Transaction, effected by way of a "triangular merger" between the Company, IMC Holdings and a wholly-owned subsidiary of the Company pursuant to Israeli statutory law.

In connection with the Reverse Takeover Transaction, the Company completed a private placement offering of 19,460,527 subscription receipts (each a "**Subscription Receipt**") (on a pre-Share Consolidation (as defined below) basis) of a wholly-owned subsidiary of the Company at a price of $1.05 per Subscription Receipt for aggregate gross proceeds of $20,433. Upon completion of the Reverse Takeover Transaction, each Subscription Receipt was exchanged for one unit comprised of one (1) common share and one-half of one (1/2) warrant (each whole warrant, a "**2019 Listed Warrant**"). Each 2019 Listed Warrant was exercisable for one Common Share at an exercise price of $1.30 until October 11, 2021. A total of 9,730,258 2019 Listed Warrants were issued and listed for trading on the CSE under the ticker "IMCC.WT". The 2019 Listed Warrants expired on October 11, 2021.

The Company also issued the agent who acted on its behalf in connection with the Reverse Takeover Transaction, a total of 1,199,326 2019 Broker Compensation Options (the "**2019 Broker Compensation Options**"). Following the Share Consolidation, the 2019 Broker Compensation Options were adjusted to require four 2019 Broker Compensation Options to be exercised for one underlying unit at an adjusted exercise price of $4.20, with each unit exercisable into one Common Share and one-half of one Common Share purchase warrant (the "**2019 Unlisted Warrants**"). Following the Share Consolidation, the 2019 Unlisted Warrants were adjusted to require four 2019 Unlisted Warrants to be exercised for one Common Share at an adjusted exercise price of $5.20. The 2019 Broker Compensation Options and the 2019 Unlisted Warrants will expire on August 30, 2022.

On May 7, 2021, the Company completed an offering (the "**2021 Offering**") for a total of 6,086,956 shares (the "**2021 Offered Shares**") and 3,043,478 Common Share purchase warrants (the "**2021 Offered Warrants**"). Each 2021 Offered Warrant is exercisable for one (1) Common Share at an exercise price of US$7.20 for a term of 5 years from the date of closing of the 2021 Offering.

The Company also issued a total of 182,609 broker compensation options (the "**2021 Broker Compensation Options**") to the agents who acted on its behalf in connection with the 2021 Offering. Each 2021 Broker Compensation Option is exercisable for one (1) Common Share at an exercise price of US$6.61, at any time following November 5, 2021 until November 5, 2024. There are 182,609 2021 Broker Compensation Options outstanding.

For the six months ended June 30, 2022 and 2021, the Company recognized a revaluation gain (loss) of $nil and $(16,540), respectively. For the three months ended June 30, 2022 and 2021, the Company recognized a revaluation gain (loss) of $nil and $(14,107) in the consolidated statement of profit or loss and other comprehensive income, in which the unrealized gain is included in finance income (expense).

As of June 30, 2022, and 2021, there were 3,043,478 and 3,043,478 2021 Offered Warrants outstanding, respectively, re-measured by the Company, using the Black-Scholes pricing model, in the amount of $3,347 and $11,415, respectively. For the three and six months ended June 30, 2022 and 2021, the Company recognized the revaluation gain (loss) in the consolidated statement of profit or loss and other comprehensive income, in which the unrealized gain is included in finance income (expense).

OPERATING, FINANCING AND INVESTING ACTIVITIES

The following table highlights the Company's cash flow activities for the three and six months ended June 30, 2022 and 2021 and year ended December 31, 2021:

	For the Six Months Ended June 30,		For the three months ended June 30,		For the Year ended December 31,
	2022	2021	2022	2021	2021
Net cash provided by (used in):					
Operating activities	$ (10,930)	$ (23,011)	$ (1,487)	$ (15,220)	$ (34,372)
Investing activities	$ (639)	$ 4,071	$ (307)	$ 4,620	$ (9,012)
Financing activities	$ 7,121	$ 43,521	$ 1,758	$ 43,051	$ 48,731
Effect of foreign exchange	$ (3,594)	$ 584	$ (4,418)	$ 347	$ (329)
Increase (Decrease) in cash	$ (8,042)	$ 25,165	$ (4,454)	$ 32,798	$ 5,018

Operating activities used cash of $10,930 and $23,011 for the six months ended June 30, 2022 and 2021, respectively. For the three months ended June 30, 2022 and 2021, operating activities used cash of $1,487 and $15,220, respectively. This variance is primarily due to increase in the business activities of the Company including corporate expenses for salaries, professional fees and marketing expenses in Israel, Germany and Canada. In the six months ended June 30, 2022, cash was predominantly used to expand the Company's Canadian and Israeli operations.

Investing activities used cash of $639 and $(4,071) for the six months ended June 30, 2022 and 2021, respectively. For the three months ended June 30, 2022 and 2021, investing activities used cash of $307 and $)4,620(, respectively. Cash was used to enhance production through the purchase of equipment mainly for Highland and TJAC in the amount of $1,076 and was offset by repayment of loan receivable in the amount of $350.

Financing activities used cash of $7,121 and $43,521 for the six months ended June 30, 2022 and 2021, respectively. For the three months ended June 30, 2022 and 2021, financing activities used cash of $1,758 and $43,051, respectively. Most of the cash was derived from receipt of loans during the six months ended June 30, 2022 in the amount of $8,871 offset by payment of lease in the amount of $1,581.

SELECTED ANNUAL INFORMATION

For the year ended	December 31, 2021	December 31, 2020
Revenues	$ 54,300	$ 15,890
Net Loss	$ (18,518)	$ (28,734)
Basic net income (Loss) per share:	$ (0.31)	$ (0.74)
Diluted net income (Loss) per share:	$ (0.66)	$ (0.74)
Total assets	$ 287,388	$ 38,116
Total non-current liabilities	$ 31,216	$ 19,237

SUMMARY OF QUARTERLY RESULTS

For the three months ended	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Revenues	$ 23,821	$ 23,569	$ 20,028	$ 14,393
Net income (Loss)	$ (18,978)	$ (10,741)	$ (12,488)	$ (5,656)
Basic net income (Loss) per share:	$ (0.27)	$ (0.14)	$ (0.19)	$ (0.06)
Diluted net loss per share:	$ (0.30)	$ (0.17)	$ (0.19)	$ (0.18)

For the three months ended	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Revenues	$ 11,112	$ 8,767	$ 4,900	$ 5,893
Net income (Loss)	$ (5,089)	$ 4,715	$ (19,976)	$ 738
Basic net income (Loss) per share:	$ (0.10)	$ 0.11	$ (0.5)	$ 0.004
Diluted net income (Loss) per share:	$ (0.23)	$ (0.06)	$ (0.5)	$ 0.004

The Company has consistently increased revenues on a quarterly basis as a result of the Group's acquisition strategy and its organic growth. While revenues increased, net income (loss) was effected by the Company's rapid growth which included acquisitions fees, integration costs, costs related to the Company's NASDAQ listing in Q1 2021 and fees related to the 2021 Offering.

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 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 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 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.

GROSS MARGIN

Six months ended	**June 30, 2022**	**June 30, 2021**
Net Revenue	$ 47,390	$ 19,879
Cost of sales	$ 35,423	$ 14,650
Gross profit before FV adjustments	$ 11,967	$ 5,229
Gross margin before FV adjustments	25%	26%

EBITDA AND ADJUSTED EBITDA

	For the Six Months ended June 30, 2022	For the Six Months ended June 30, 2021	For the Three Months ended June 30, 2022	For the Three Months ended June 30, 2021	For the Year ended December 31, 2021
Operating Loss	$ (30,207)	$ (12,422)	$ (18,658)	$ (10,717)	$ (38,389)
Depreciation & Amortization	$ 4,060	$ 1,643	$ 2,223	$ 1,258	$ 6,004
EBITDA	$ (26,147)	$ (10,779)	$ (16,435)	$ (9,459)	$ (32,385)
IFRS Biological assets fair value adjustments, net	$ 1,382	$ 769	$ 1,598	$ 1,170	$ 1,586
Share-based payments	$ 2,658	$ 2,003	$ 1,048	$ 1,373	$ 7,471
Costs related to the NASDAQ listing	$ -	$ 1,261	$ -	$ 1,139	$ 1,296
Restructuring cost	$ 9,162	$ -	$ 5,415	$ -	$ -
Other non-recurring costs	$ 3,817	$ -	$ 3,750	$ -	$ -
Adjusted EBITDA (Non-IFRS)[1]	$ (9,128)	$ (6,746)	$ (4,624)	$ (5,777)	$ (22,032)

The Company's Adjusted EBITDA for the six months ended June 30, 2022 decreased primarily due to the general and administrative costs mainly attributable to the growing corporate activities in Israel, Canada, and Germany, professional services derived from legal fees and other consulting services, salaries to employees and increased insurance costs upon listing on NASDAQ.

CONTINGENT LIABILITIES AND COMMITMENTS

RENTAL LIABILITIES

The table below summarizes the maturity profile of the Group's lease liabilities based on contractual undiscounted payments (including interest payments):

June 30, 2022**:**

	Less than one year	1 to 5 years	6 to 10 years	>10 years
Lease liabilities	$ 3,193	$ 11,284	$ 14,042	-

June 30, 2021**:**

	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 with liquidity risk (trade payables, other account payable and accrued expenses) as of June 30, 2022 and 2021, are less than one year.

LITIGATION AND REGULATORY PROCEEDINGS

CLASS ACTION T.Z. 35676-08-19 TEL AVIV - JAFFA DISTRICT COURT

On August 19, 2019, a cannabis consumer (the "**Applicant**") filed a motion for approval of a class action to Tel Aviv - Jaffa District Court (the "**Motion**") against 17 companies (the "**Parties**") operating in the field of medical cannabis in Israel, including Focus. The Applicant's argument is that the Parties did not accurately mark the concentration of active ingredients in their products. The personal suit sum for each class member stands at NIS 15,585 and the total amount of the class action suit is estimated at NIS 685,740,000. On June 2, 2020, the Parties submitted their response to the Motion. The Parties argue in their response that the threshold conditions for approval of a class action were not met, since there is no reasonable possibility that the causes of action in the Motion will be decided in favor of the class group. On July 3, 2020 the Applicant submitted his response to the Parties' response. On July 5, 2020 the Applicant was absent from the hearing. As a result, on July 23, 2020 the Parties filed an application for a ruling of expenses which received a response from the Applicant on August 12, 2020, asking to decline this request. On September 29, 2020 the court ruled that the Applicant would pay the Parties' expenses amount of NIS 750. On July 14, 2021 a prehearing was held. The court recommended the parties negotiate independently to avoid litigation, and if negotiations fail, then to begin mediation proceedings. The parties agreed to follow the court's recommendations. Negotiations between the parties have not yet commenced. On November 3, 2021 the court ruled the parties will file an update regarding the mediation procedure, in 30 days. The parties conducted unsuccessful negotiations and are now waiting for a court decision regarding the continuation of the proceedings. On March 14, 2022, the Applicant filed a request to amend the application for approval of a class action, and the judge disqualified herself from hearing the case. As a result, the case was redirected. The response to the amendment of the application for approval of a class action by the Parties was filed on June 21, 2022. A preliminary hearing is scheduled for October 6, 2022.

Due to the current preliminary state of the litigation process and based on the opinion of legal counsel to Focus, the Company's management believes that it is not reasonably possible to assess the outcome of the proceeding. Therefore, no provision has been recorded in respect thereof.

SUPREME COURT OF JUSTICE 2335/19 AND 8249/2On March 2019 a petition was filed to the Supreme Court of Israel by the Medical Cannabis Association against the Israeli Ministry of Health ("**MOH**") regarding the new regulatory framework of the cannabis market (the '**Petition**"). Subsequently, additional 10 respondents joined the Petition.

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

- that the MOH immediately suspend the implementation of the new regulation that harms, disproportionally, the medical cannabis patients;
- that the implementation of the new regulation, as is, would cause violation of constitutional rights of the medical cannabis patients; and

- that the MOH amends the flaws of the new regulation, prior to becoming effective, and to establish new regulations regarding labeling and use of pesticides.

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

According to the decision, Focus was attached to the proceedings as a respondent. Accordingly, Focus filed its response to the petition on November 12, 2019. On March 8, 2020, the court decided to extend the validity of the interim injunction, so that the medical cannabis use licenses, which were extended under the decision, would continue to be valid until May 15, 2020, or 10 days after the price committee’s decision on the matter before it, whichever comes first, subject to another court decision. The court also decided that if a further extension of the period of the interim injunction is granted beyond May 15, 2020, to the extent required, it would be subject to medical surveillance by the attending physician, the details of which were to be included in the patient’s existing use license.

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

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

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

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

On April 25, 2021, the petitioner filed a response to the update notice from March 25, 2021, objecting to the position of the respondents represented by the State Attorney’s Office, requesting the court to resolve as requested in the petition and grant the requested remedies to the petitioner. On July 6, 2021, the petitioner filed an urgent request to the court, to issue orders to the respondents represented by the State Attorney’s Office, to request information from corporations engaged in the medical cannabis market in order to continue the examination of the market, according to the Prices Committee’s announcement mentioned above, and requested the court reschedule the September 19, 2021 hearing date to an earlier date. The petitioner’s request was rejected by the court on July 7, 2021, and on September 19, 2021, a hearing was held. On November 16, 2021 the court ruled the motion will delete, and the interim injunction will be cancelled in 10 days. Following a request submitted by the petitioner, on November 15, 2021 the court determined the interim injunction will extend until March 1, 2022. Additional requests submitted for an extension of the interim order were denied. Following the aforementioned, the petition was denied.

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

PLANNING AND CONSTRUCTION 66813-06-21 BEER SHEVA MAGISTRATE COURT

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

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

A hearing was initially set to December 1, 2021 but postponed to June 13, 2022 and further postponed to September 29, 2022 in order to allow the parties to negotiate towards a resolution. At this preliminary stage, based on the opinion of Focus' legal counsel, Company management cannot assess the chances of the claim advancing or the potential outcome of the Construction Proceedings. Therefore, no provision has been recorded in respect thereof.

COVID-19 TEST KITS CLAIM, DISTRICT COURT OF STUTTGART

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

1. that the contractual partner of the Company is not the defendant, Stroakmont & Atton is not the real purchaser rather a company named Uniclaro GmbH.
2. that the Company allegedly placed an order with Uniclaro GmbH for a total of 4.3 million Clongene COVID-19 tests, of which Uniclaro GmbH claims to have a payment claim against the Company for a partial delivery of 380,400 Clongene COVID-19 tests in the total amount of EUR 941,897.20. Uniclaro GmbH has assigned this alleged claim against the Company to Stroakmont & Atton Trading GmbH, and Stroakmont & Atton Trading GmbH has precautionary declared a set-off against the Company's claim.

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

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

On May 27, 2022, the conciliation hearing and main hearing were held. The Court ruled that the Company shall submit another writ by August 29, 2022. The Court also scheduled a pronouncement date for September 7, 2022, when the Court will enter a judgement or hold an evidentiary hearing with witnesses.

At this stage, the Company management cannot assess the chances of the claim advancing or the potential outcome of this these proceedings.

INITIATION OF PROCEEDINGS FOR LOAN REPAYMENT

On April 4, 2022, MYM issued a Notice of Default and on April 20, 2022, issued a Notice of Intent to Enforce Security pursuant to section 22 of the *Bankruptcy and Insolvency Act* (Canada) for the outstanding Biome Loan in the amount of $2.680, including accrued and unpaid interest, owing by the Obligors. MYM has applied to the Superior Court to appoint a receiver to take control of the Obligors' assets, including MYM's security that is held in escrow, to effect repayment of the Loan.

On May 12, 2022 the Company applied to and received from the Superior Court an interim order to, among other things, freeze the assets of the Obligors including the assets which comprise MYM's Collateral for the Loan. MYM has applied to the Superior Court, which granted MYM's request for the receivership of the assets of the Obligors and has scheduled an in-person hearing for the receivership application on September 12, 2022. For more information, see "*Corporate Highlights and Events* - S*ubsequent Events*".

OFF-BALANCE SHEET ARRANGEMENTS

IM Cannabis had no off-balance sheet arrangements as at June 30, 2022.

TRANSACTIONS WITH RELATED PARTIES

Trichome, through a management service agreement, provided investment management services to the Trichome Financial Cannabis Private Credit LP (the **Fund**") during the year ended December 31, 2021. The Fund has not engaged in any activity in 2022.

Under the Focus Agreement, 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. See "*Legal and Regulatory – Restructuring*" section of the MD&A.

The Company is a party to Indemnification Agreement with certain directors and officers of the Company and Trichome to cover certain tax liabilities, interest and penalties arising from the Trichome Transaction. See "*Risk Factors - Tax Remittance*" section of the MD&A.

On August 5, 2022, the Company sold the wholly owned subsidiary of TJAC, Sublime, to a group of purchasers that included current and former members of the Sublime management team for aggregate proceeds of $100 less working capital adjustments, for a final net purchase price of $89. The transaction constituted a "related party transaction" within the meaning of MI 61-101, however pursuant to Sections 5.5(a) and 5.7(1)(a) of MI 61-101, the transaction is exempt from the formal valuation and minority shareholder approval requirements of such instrument. For more information, see "*Corporate Highlights and Events* – S*ubsequent Events*".

Other than the aforesaid transactions noted above, the Company had no other transactions with related parties outside of the Group except those pertaining to transactions with key management personnel and shareholders in the ordinary course of their employment or directorship. Transactions with related parties for the sale of Focus due to the restructuring process were adjusted in the Company's consolidated financial statements following the application of IFRS 10. See the "*Legal and Regulatory – Restructuring*" section of the MD&A.

PROPOSED TRANSACTIONS

There are no proposed transactions as at the date of this MD&A that have not been disclosed.

CRITICAL ACCOUNTING ESTIMATES

In the process of applying the significant accounting policies, the Group has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

JUDGMENTS

Determining the fair value of share-based payment transactions

The fair value of share-based payment transactions is determined upon initial recognition by an acceptable option pricing model. The inputs to the model include share price, exercise price and assumptions regarding expected volatility, expected life of the share options and expected dividend yield.

Discount rate for a lease liability

When the Company is unable to readily determine the discount rate implicit in a lease in order to measure the lease liability, the Company uses an incremental borrowing rate. That rate represents the rate of interest that the Company would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. When there are no financing transactions that can serve as a basis, the Company determines the incremental borrowing rate based on its credit risk, the lease term and other economic variables deriving from the lease contract's conditions and restrictions. The rates at which the Company can borrow will also vary based on the jurisdiction of the leased property, whether it be Israel, Germany, or Canada. In certain situations, the Company is assisted by an external valuation expert in determining the incremental borrowing rate.

ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the reporting date and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

ASSESSMENT OF GOING CONCERN

The use of the going concern basis of preparation of the financial statements. At each reporting period, management assesses the basis of preparation of the financial statements. These financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

In arriving at this determination, the Company has undertaken a thorough review of the Group’s cash flow forecast and potential liquidity risks. Cash flow projections have been prepared which show that the Group’s operations will be cash generative during the period of at least 12 months from the date of approval of the consolidated financial statements.

BIOLOGICAL ASSETS AND INVENTORY

In calculating the value of the biological assets and inventory, management is required to make several estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices, expected yields for the cannabis plants, and oil conversion factors. The valuation of work-in-process and finished goods also requires the estimate of conversion costs incurred, which become part of the carrying amount for the inventory. The Company must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged. See Note 4 of the Interim Financial Statements for further information.

BUSINESS COMBINATIONS

In determining the fair value of all identifiable assets acquired and liabilities assumed, the most significant estimates generally relate to contingent consideration and intangible assets. Management exercises judgment in estimating the probability and timing of when earn-outs are expected to be achieved, which is used as the basis for estimating fair value. Identified intangible assets are fair valued using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND FINITE LIFE INTANGIBLE ASSETS

The Company assesses impairment of property, plant and equipment and finite life intangible assets when an impairment indicator arises (e.g., change in use or discontinued use, obsolescence or physical damage). When the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, the asset is tested at the cash generating unit ("**CGU**") level. In assessing impairment, the Company compares the carrying amount of the asset or CGU to the recoverable amount, which is determined as the higher of the asset or CGU's fair value less costs of disposal and its value-in-use. Value-in-use is assessed based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects applicable market and economic conditions, the time value of money and the risks specific to the asset. An impairment loss is recognized whenever the carrying amount of the asset or CGU exceeds its recoverable amount and is recorded in the consolidated statements of comprehensive loss.

IMPAIRMENT OF INTANGIBLE ASSETS WITH INDEFINITE LIFE AND GOODWILL

Goodwill and intangible assets with an indefinite life or not yet available for use are tested for impairment annually, and whenever events or circumstances that make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose all or a portion of a reporting unit. Finite life intangible assets are tested whenever there is an indication of impairment. Goodwill and indefinite life intangible assets are tested for impairment by comparing the carrying value of each CGU containing the assets to its recoverable amount. Goodwill is allocated to CGUs or groups of CGU's for impairment testing based on the level at which it is monitored by management, and not at a level higher than an operating segment. Goodwill is allocated to those CGUs or groups of CGUs expected to benefit from the business combination from which the goodwill arose, which requires the use of judgment. An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds it recoverable amount. The recoverable amounts of the CGUs' assets have been determined based on either fair value less costs of disposal or value-in-use method. There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the CGU, given the necessity of making key economic assumptions about the future. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying value of assets in the CGU. Any impairment is recorded in profit and loss in the period in which the impairment is identified. A reversal of an asset impairment loss is allocated to the assets of the CGU on a pro rata basis. In allocating a reversal of an impairment loss, the carrying amount of an asset shall not be increased above the lower of its recoverable amount and the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior period. Impairment losses on goodwill are not subsequently reversed.

LEGAL CLAIMS

In estimating the likelihood of legal claims filed against certain entities of the Group, the Company's management rely on the opinions of the respective legal counsel of each relevant entity of the Group. These estimations are based on each legal counsel's best professional judgment, taking into account the stage of proceedings and legal precedents in respect of the different issues. Since the outcome of the claims may be determined in courts, the results could differ from these estimations.

DEFERRED TAX ASSETS

Deferred tax assets are recognized for unused carry-forward tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the timing and level of future taxable profits, its source and the tax planning strategy.

VALUATION OF LOANS RECEIVABLE

For loans receivable measured at amortized cost or at Fair Value Through Profit or Loss ("**FVTPL**") under IFRS 9 *Financial Instruments* ("**IFRS 9**"), judgment is used by the Company in determining the fair value of the loan at inception of the lending arrangement and at each reporting period. The fair value of the loan at any given point in time is calculated based on the present value of estimated future loan payments, discounted using an interest rate that would be charged by another market participant for a financing arrangement with similar characteristics. Judgment is used by the Company in determining what the interest rate would be for sourcing a similar financing arrangement in the market. This can lead to material fair value gains or losses on loans held at FVTPL.

DERECOGNITION AND MODIFICATION OF LOANS RECEIVABLE

The Company uses its judgment in determining whether the change in the terms of the lending arrangement qualifies as a derecognition of the loan or a modification of the loan under IFRS 9. Depending on the Company's judgment, the manner in which the loan is treated, be it a modification or a settlement, can result in materially different results in interest revenue or other income. If there is a modification in a lending arrangement subsequent to initial recognition, the Company also reassesses the need to modify the expected credit loss associated with the loan.

SHARE-BASED PAYMENTS

The Company uses the Black-Scholes option pricing model in determining the fair value of Options issued to employees. In estimating fair value, the Company is required to make certain assumptions and estimates such as the expected life of the options, volatility of the Company's future share price, the risk-free rate, future dividend yields and estimated forfeiture rates at the initial grant date.

ESTIMATED USEFUL LIVES AND DEPRECIATION/AMORTIZATION OF PROPERTY AND EQUIPMENT, AS WELL AS INTANGIBLE ASSETS

Depreciation and amortization of property and equipment, as well as intangible assets, are dependent upon estimated useful lives which are determined through the exercise of judgment. Estimated useful lives are assessed at the end of each reporting period for any changes in the expected life of the asset and consumption of economic benefits from the use of the asset. Amortization as well as depreciation commences when the asset is first put into use. The expected life of any intangible assets with a finite life are assessed at the end of each reporting period.

LEASES

Judgment is used in determining the value of the Company's right-of-use assets and lease liabilities. The value determined for the Company's right-of-use assets and lease liabilities can be materially different based on the discount rate selected to present value the future lease payments as well as the likelihood of the Company exercising extensions, termination, and/or purchase options. The discount rate used to present value the future lease payments over the life of the lease is based on the Company's incremental borrowing rate at inception of the lease. This rate is determined by the Company using judgment.

In determining the value of the Company's right-of-use assets and lease liabilities, the Company assesses future business plans to determine whether to include certain extension options noted in the lease agreement.

If there is no interest rate implicit in the lease agreement, the Company uses a discount rate that would be charged to a similar borrower, with similar risk characteristics, in a mortgage loan to purchase the leased facility. This discount rate is used to present value the future lease payments in determining the right-of-use asset and lease liability values at inception of the leases.

REVENUE RECOGNITION

Under IFRS 15 Revenue from Contracts with Customers, judgment is required in recognizing revenue when variable consideration is present in a contract. In certain supply agreements, the Company stands ready to accept returns on cannabis sales, indicating the possibility of variable consideration.

Judgment is used by the Company in determining which of the above two methods of revenue recognition should be used when recognizing revenue from cannabis sales. Moreover, estimates are used by the Company in determining the amount of revenue to recognize upon delivery and acceptance of cannabis inventory to a customer.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Company's significant accounting policies under IFRS are contained in the Interim Financial Statements (refer to Note 2 to the Interim Financial Statements). Certain of these policies involve critical accounting estimates as they require management to make particularly subjective or complex judgments, estimates and assumptions about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

The following new accounting standards applied or adopted during the twelve months ended December 31, 2021, had impact on the Annual Financial Statements:

IFRS 3, "BUSINESS COMBINATIONS":

In October 2018, the IASB issued an amendment to the definition of a "business" in IFRS 3, "Business Combinations" (the '**2018 Amendment**"). The 2018 Amendment is intended to assist entities in determining whether a transaction should be accounted for as a business combination or as an acquisition of an asset.

The 2018 Amendment consists of the following:

1. Clarification that to meet the definition of a business, an integrated set of activities and assets must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create output.

2. Removal of the reference to the assessment whether market participants are capable of acquiring the business and continuing to operate it and produce outputs by integrating the business with their own inputs and processes.

3. Introduction of additional guidance and examples to assist entities in assessing whether the acquired processes are substantive.

4. Narrowing the definitions of “outputs” and “business” by focusing on goods and services provided to customers.

5. Introducing an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The 2018 Amendment is to be applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, with earlier application permitted. The 2018 Amendment is not expected to have a material impact on the Company in the current or future reporting periods.

AMENDMENT TO IAS 1, “PRESENTATION OF FINANCIAL STATEMENTS”:

In January 2020, the IASB issued an amendment to IAS 1, “Presentation of Financial Statements” (the “**2020 Amendment**”) regarding the criteria for determining the classification of liabilities as current or non-current.

The 2020 Amendment includes the following clarifications:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The 2020 Amendment is effective for annual periods beginning on or after January 1, 2023 and must be applied retrospectively.

The Company is evaluating the possible impact of the 2020 Amendment on its current loan agreements.

FINANCIAL INSTRUMENTS

Financial instruments are measured either at fair value or at amortized cost. The table below lists the valuation methods used to determine fair value of each financial instrument.

Financial Instruments Measured at Fair Value	Fair Value Method
Derivative assets[1]	Black & Scholes model (Level 3 category)
Warrants liability[1]	Black & Scholes model (Level 3 category)
Investment in affiliates	Market comparable (Level 3 category)
Financial Instruments Measured at Amortized Cost	
Cash and cash equivalents, trade receivables and other account receivables	Carrying amount (approximates fair value due to short-term nature)
Loans receivable	Amortized cost (effective interest method)
Trade payables, other accounts payable and accrued expenses	Carrying amount (approximates fair value due to short-term nature)

Notes:

1. Finance expense (income) include fair value adjustment of Warrants, investments, and derivative assets measured at fair value, for the six months ended June 30, 2022 and 2021, amounted to $5,697 and $13,049, respectively.

The Group's exposure to risk for its use of financial instruments are discussed in the Risk Factors.

PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**") and Rule 13a-15 under the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), the establishment and maintenance of the Company's disclosure controls and procedures ("**DC&P**") and internal control over financial reporting ("**ICFR**") is the responsibility of management.

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.

NI 52-109 requires the Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") to certify that they are responsible for establishing and maintaining DC&P and ICFR for the Company and have concluded that as at June 30, 2022, those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

The Company maintains a set of DC&P designed to provide reasonable assurance that information required to be publicly disclosed is recorded, processed, summarized and reported on a timely basis. As required by NI 52-109 and Exchange Act Rule 13a-15(b), an evaluation of the design and operation of our DC&P was completed as of June 30, 2022 under the supervision and with the participation of management, including our CEO and CFO using the criteria set forth in the Internal Control - Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this evaluation, our CEO and CFO concluded that as at June 30, 2022, the Company's DC&P and ICFR were effective.

There have been no changes to the Company's ICFR during the six months ended June 30, 2022 that have materially affected, or are likely to materially affect, the Company's ICFR.

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 DC&P or ICFR, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that any design will not succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost- effective control system, misstatements due to error or fraud may occur and not be detected. Additionally, management is required to use judgment in evaluating controls and procedures.

LIMITATION ON SCOPE OF DESIGN

In accordance with Section 3.3 of National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ('**NI 52-109**"), the Company has limited the design of its DC&P and ICFR to exclude the controls, policies and procedures of MYM, Pharm Yarok, Rosen High Way, Vironna and Oranim Plus (the " **Excluded Entities**"), all of which were acquired by the Company or by one of it subsidiaries within 365 days of the end of the interim period ended June 30, 2022.

The Excluded Entities are included in the Interim Financial Statements. On a combined basis, the Excluded Entities' contributions to the Interim Financial Statements was approximately 44% of total revenues. Additionally, as at June 30, 2022, the current assets and current liabilities of the Excluded Entities, on a combined basis, represented approximately 46% and 28% of the Company's consolidated current assets and current liabilities, respectively. Combined non-current assets, which includes intangible assets and goodwill from these acquisitions, represented approximately 10% of our consolidated non-current assets. Combined non-current liabilities represented approximately 14% of our consolidated non-current liabilities. Management of the Company is committed to removing this limitation and integrating the Excluded Entities into the Company's DC&P and ICFR within the timeframe permitted under NI 52-109.

LEGAL AND REGULATORY

RESTRUCTURING

Current Israeli law requires prior approval by the IMCA, a unit of the MOH, of the identity of any shareholder owning 5% or more of an Israeli company licensed by the IMCA to engage in cannabis-related activities in Israel. For a number of reasons, including the opportunity to leverage a network of multiple Israeli licensed producers cultivating under the IMC brand, and in contemplation of a "go-public transaction" to geographically diversify the Company's share ownership, IMC Holdings restructured its organization on April 2, 2019 (the "**IMC Restructuring**") resulting in the divestiture to Oren Shuster and Rafael Gabay of its interest in Focus, which is licensed by the IMCA to engage in cannabis-related activity in Israel.

IMC Holdings retains an option with Messrs. Shuster and Gabay to re-acquire the sold interest in Focus at its sole discretion and in accordance with Israeli cannabis regulations, within 10 years of the date of the IMC Restructuring (the "**Focus Agreement**"). The Focus Agreement sets an aggregate exercise price equal to NIS 765.67 per share of Focus for a total consideration of NIS 2,756,500, that being equal to the price paid by Messrs. Shuster and Gabay for the acquired interests in Focus at the time of the IMC Restructuring.

As part of the IMC Restructuring, on April 2, 2019, IMC Holdings and Focus entered into an agreement, as amended on January 1, 2021 (the "**IP Agreement**"), which provides for Focus' obligation to use the IMC brand for the sale of any cannabis plant and/or cannabis product produced by Focus, either alone or together with other sub-contractors engaged by Focus through the IP Agreement.

Focus is also obligated through a services agreement, as amended on January 1, 2021, (the "**Services Agreement**") to use IMC Holdings for certain management and consulting services including: (a) business development services; (b) marketing services; (c) strategic advisory services; (d) locating potential collaborations on a worldwide basis; and (e) financial analysis services through the Services Agreement.

Under the IP Agreement, the parties apply an arm's length royalty as a percentage of the licensees' net revenues, on a quarterly basis in accordance with a transfer pricing analysis to be updated from time to time, as consideration for Focus' use of IMC Holdings' intellectual property.

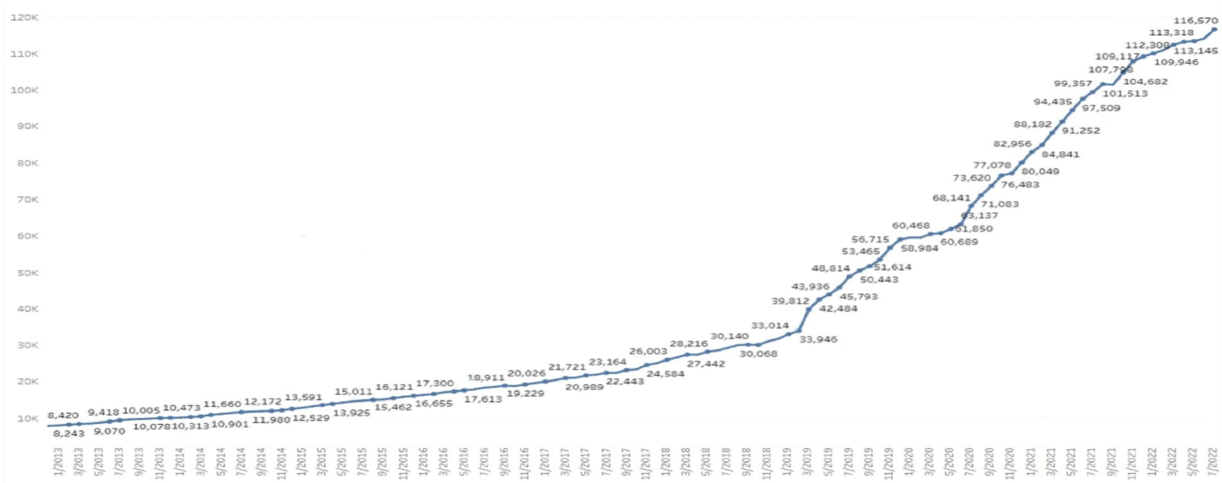
Under the Services Agreement, the Parties apply an arm's length markup on total costs, on a quarterly basis, in accordance with a transfer pricing analysis to be updated from time to time, as consideration for the provision of such services.

Subsequent to the IMC Restructuring, according to accounting criteria in IFRS 10, the Company is viewed as effectively exercising control over Focus, and therefore, the financial statements of Focus continue to be consolidated with those of the Company, despite the fact that the Company does not own Focus.

ISRAELI MARKET DEVELOPMENT 2012-2022

According to Israeli Ministry of Health, as of June 2022, there are 114,076 medical cannabis licensed patients in Israel. A monthly prescription of 4,343,000 grams of cannabis were recorded in June 2022 an increase of 264,000 grams of cannabis from December 2021.[10]

The chart below reflects the growth in licensed medical cannabis patients in Israel between 2012 to June 2022.[11]



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10 Israel Ministry of Health – licensed patients' data as of June 2022 - https://www.gov.il/BlobFolder/reports/licenses-status-june-2022/he/licenses-status-june-2022.pdf
11 Ministry of Health – licensed patients' data as of March 2022 -https://www.gov.il/BlobFolder/reports/licenses-status-june-2022/he/licenses-status-june-2022.pdf

REGULATORY FRAMEWORK IN ISRAEL

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

Patient Medical Consumption

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

Licensing and Authorization for Commercial Activities in the Medical Cannabis Field

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

The IMCA has issued a set of directives containing procedures and requirements for applicants for cannabis related activity licenses and has authorized certain entities to issue official certificates upon compliance with such directives. These directives include (i) Directive 150 (GSP Standard certification); (ii) Directive 151 (GAP Standard certification); (iii) Directive 152 (GMP Standard certification); and (iv) Directive 153 (GDP Standard certification). Regular and periodic examinations are conducted for licensed entities, in order to ensure compliance with the analytical standards and the level of quality required during each of the phases of production and distribution of medical cannabis.

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

Medical Cannabis Imports and Exports

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

In October 2020, the IMCA issued an updated procedure, titled "Guidelines for Approval of Applications for Importation of Dangerous Drug of Cannabis Type for Medical Use and for Research" ("**Procedure 109**"), describing the application requirements for cannabis import licenses for medical and research purposes. Therefore, each import of medical cannabis is to be approved by the IMCA issuing a specific import permit for each imported shipment, rather than a general license for import. An application for import of medical cannabis can be submitted by an entity licensed by the IMCA for the conduct of medical cannabis related activity. The Israeli government approved the export of pharmaceutical-grade cannabis and cannabis-based products on January 27, 2019,[16] and in December 2020, the IMCA published guidelines for the medical cannabis export permit application process.[17].

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

Currently, adult-use recreational cannabis use in Israel and CBD for non-medical use is illegal. In November 2020, an Israeli government committee responsible for advancing the cannabis market reform published a report supporting and recommending the legalization of adult-use recreational cannabis in Israel. The Israeli parliament dissolved since then without applying the committee's' recommendations and all legislative initiatives were suspended. However, the new government, formed on June 13, 2021, declared, and settled in the coalition agreement, its commitment to legalization of adult-use recreational cannabis. Since the formation of the new government, several legislative initiatives were filed, including for the decriminalization of the possession of cannabis for individual recreational adult-use and the legalization of CBD for non-medical use. In February 2022, a Ministry of Health committee contemplated the legality of CBD and published its recommendation that CBD should be excluded from the Drugs Ordinance. The main recommendations of the committee were adopted by the Minister of Health, however, to date, the Minister has not enacted an order directing that CBD be removed from the Drug Ordinance. On April 1, 2022, new regulations came into force which deemed the previously criminal offences of cannabis possession and use for self-consumption into administrative offences, which do not impact a criminal record, and limited the penalty to a monetary fine only.

Previous Regime and Price Control

Until September 2019, under the previous regime, patients licensed for consumption of medical cannabis products by the IMCA received all of their medical cannabis products authorized under their respective licenses at a fixed monthly price of NIS 370, regardless of each patient's authorized amount. Since September 2019, under the new regime, licenses to patients were no longer entitling them for such fixed monthly price. However, some medical cannabis patient licenses granted under the previous regime remain valid, entitling their holders to receive medical cannabis products pursuant to the price controls and supplier restrictions of the former regime. All licenses under the previous regime expired in Q1 2022.

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

REGULATORY FRAMEWORK IN CANADA

The *Cannabis Act* (Canada), as amended, (the "**Cannabis Act**") and the Cannabis Regulations (Canada) made under the Cannabis Act (the "**Cannabis Regulations**") came into force on October 17, 2018, legalizing the sale of adult-use recreational cannabis. The Cannabis Act and Cannabis Regulations establish a licensing and permitting framework for the production, importation, exportation, testing, packaging, labelling, sending, delivery, transportation, sale, possession and disposal of adult-use recreational cannabis.

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

Licensing

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

Security Clearances

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

Cannabis Tracking System

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

Cannabis Products

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

Packaging & Labelling

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

Promotion

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

Medical Cannabis

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

Provincial and Territorial Regulatory Framework

While the Cannabis Act provides for the regulation of adult-use cannabis production by the federal government, provincial and territorial governments maintain authority to regulate other aspects of adult-use recreational cannabis activities such as sale and distribution, minimum age requirements, and places where cannabis can be consumed. The following chart summarizes the basic adult-use recreational cannabis regimes in place as of the date of this MD&A:

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

REGULATORY FRAMEWORK IN GERMANY

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

Unlike cannabis, CBD is not subject to German narcotics laws, unless it is synthetic CBD that has been included as a substance that can be prescribed and marketed in Annex 3 of the BtMG, which 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" and has recently indicated that all current novel food applications have at least insufficient data on safety and therefore none of the applications can currently lead to approval. In light of the above, various products containing CBD can be found in the German market. There are currently various court decisions that problematize CBD in food (specifically food supplements) and in cosmetics (specifically: mouth oil). On the one hand, CBD is regarded as a medicinal substance and/or as a novel food subject to authorization and therefore unsuitable for use in a foodstuff, and on the other hand as unsuitable for cosmetic use in the mouth, as CBD would ultimately be consumed in this case (like a foodstuff).

Cultivation in Germany and Distribution of Medical Cannabis Cultivated in Germany

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

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

Import volumes and procedures

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

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

Dispensing Exclusively via Pharmacies

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

NO U.S. CANNABIS-RELATED ACTIVITIES

The Group does not engage in any U.S. cannabis-related activities as defined in Canadian Securities Administrators Staff Notice 51-352 (Revised) –*Issuers with U.S. Marijuana-Related Activities*.

RISK FACTORS

The Company has implemented risk management governance processes that are led by the board of directors, with the active participation of management, and updates its assessment of its business risks on an annual basis. Notwithstanding, it is possible that the Company may not be able to foresee all the risks that it may have to face. The market in which IM Cannabis currently competes is complex, competitive and changing rapidly, and its business is subject to risks inherent in a high growth, heavily regulated enterprise, and the Company has identified certain risks pertinent to the Group's business that may have affected or may affect the Group's business, financial conditions, results of operations and cash flows, as further described throughout this MD&A and under "Risk Factors" in the Annual Information Form. For additional risk factors, readers are directed to the Company's most recent Annual Information Form, which is (a) available under the Company's issuer profile on SEDAR at www.sedar.com, and (b) incorporated into and forms part of the Company's annual report on Form-40F filed on EDGAR at www.sec.gov. Sometimes new risks emerge, and management may not be able to predict all of them or be able to predict how they may cause actual results to be different from those contained in forward looking statements. Readers of this MD&A should not rely upon forward looking statements as a prediction of future results.

CREDIT RISK

The maximum credit exposure as of June 30, 2022, is the carrying amount of cash and cash equivalents, accounts receivable and other current assets. The Group does not have significant credit risk with respect to customers. All cash and cash equivalents are placed with major Israeli financial institutions.

Loan receivable credit risk is managed by each loan separately according to the Group's policy, procedures and control relating to the borrower's credit risk management. At the end of each period, the individual loan values are assessed based on a credit risk analysis. As of June 30, 2022, the Group had one loan outstanding with a total balance of approximately $2,680. As security on the Loan, the Obligors hold approximately 745,000 Common Shares which cannot be sold without the proceeds from any sale of the security being provided to the Company as repayment for the Loan until the balance is fully discharged. For more information, see "*Corporate Highlights - Subsequent Events*" section of the MD&A.

The expected credit loss analysis is generally based on management's understanding of the borrower's experience/integrity, financial health, business plans, capacity, products, customers, contracts, competitive advantages/disadvantages, and other pertinent factors when assessing credit risk. This would also include the assessment of the borrower's forecasts as well as taking into consideration any security and/or collateral the Company has on the outstanding balance.

As security on the loan receivable to Biome Grow Inc., the borrower holds approximately 745,000 Common Shares which cannot be sold without the proceeds from any sale being provided to the Company as repayment for the loan until the balance is fully discharged.

As of June 30, 2022, the Company assessed the overall risk of the Loan receivable balance and concluded that no expected credit loss under IFRS 9 was required.

LIQUIDITY RISK

The Company's liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. As of June 30, 2022, the Group's financial liabilities with liquidity risk consist of trade payables and other accounts payable which have contractual maturity dates within one year, and lease liabilities. The Group manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Group's working capital position as at June 30, 2022, management considers liquidity risk to be low.

CURRENCY RATE RISK

As at June 30, 2022, a portion of the Group's financial assets and liabilities held in NIS, Euros, Canadian and U.S. dollars consist of cash and cash equivalents. The Group's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties as applicable. The Group does not currently use foreign exchange contracts to hedge its exposure of its foreign currency cash flows, as management has determined that this risk is not significant at this point of time.

SHARE PRICE RISK

The Company's investments in unlisted shares are sensitive to the market price risk arising from uncertainties about the future value of these investments. The Company manages the price risk through diversification and tight management attention.

The Company's board of directors reviews and approves all decisions related to investments in shares.

At the reporting date, the Group's exposure to investments in unlisted shares measured at fair value was $2,311.

INFLATION RISK

Global economies are currently experiencing elevated inflation which could curtail levels of economic activity, including in our primary production markets. This inflation is predominantly driven by costs of goods caused by global supply chain constrictions, rising energy prices and more. As such, it cannot be assured delivery, distribution, utility, and other necessary supplies costs at an economic cost. it is reasonable to expect that inflation could impact the Company's future economic performance.

TAX REMITTANCE

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

As at June 30, 2022, the Company's financial statements included a tax liability of $6,280 and a tax indemnification asset of $2,224. The indemnification asset, intended to cover certain statutory tax obligations arising from the Trichome Transaction to the CRA, consists of: (1) 695,954 Common Shares; (2) The Company is a party to an indemnification agreement (the "**Indemnification Agreement**") with certain directors and officers of the Company and Trichome to cover certain tax liabilities, interest and penalties arising from the Trichome Transaction; (3) the chairman of the Company's board of directors entered into a security pledge agreement with the Company to secure the obligations under the Indemnification Agreement, consisting of certain securities of the Company owned by him; (4) the Company's chairman of the board of directors transferred the Company a cash amount of $3,250 (the "**Indemnification Asset**").

As of the date hereof, the chairman of the Company's board of directors is in default of his obligations under the Indemnification Agreement. Accordingly, the Company enforced its security pursuant to the security pledge agreement to satisfy the tax liabilities, interest and penalties arising from the Trichome Transaction. On April 24, 2022, notices of exercise of its right of exclusive control over the accounts in which are held the financial assets securing the obligations under the Indemnification Agreement were issued.

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

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

CAUTION CONCERNING FORWARD-LOOKING INFORMATION

Certain statements in this MD&A may contain "forward-looking statements" or "forward-looking information," within the meaning of applicable Canadian securities legislation (collectively referred to herein as "forward-looking statements" or "forward-looking information"). All statements other than statements of fact may be deemed to be forward-looking statements, including statements with regard to expected financial performance, strategy and business conditions. The words "believe", "plan", "intend", "estimate", "expect", "anticipate", "continue", or "potential", and similar expressions, as well as future or conditional verbs such as "will", "should", "would", and "could" often identify forward-looking statements. These statements reflect management's current expectations and plans with respect to future events and are based on information currently available to management including based on reasonable assumptions, estimates, internal and external analysis and opinions of management considering its experience, perception of trends, current conditions and expected developments as well as other factors that management believes to be relevant as at the date such statements are made. No assurance can be given that the expectations in any forward-looking statement will prove to be correct and, as such, the forward-looking statements included in this MD&A should not be unduly relied upon. Forward-looking information is by its nature prospective and requires IM Cannabis to make certain assumptions and is subject to inherent risks and uncertainties. All forward-looking information is provided as of the date of this MD&A. The Company does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required by law.

FORWARD LOOKING STATEMENTS

This MD&A and the documents incorporated by reference herein contain certain statements which contain "forward-looking information" within the meaning of Canadian securities legislation (each a "forward-looking statement"). All statements, other than statements of historical fact included in this MD&A, including information that address activities, events or developments that the Company expects or anticipates will or may occur in the future, are forward-looking statements. The use of any of the words "anticipates", "plans", "contemplates", "continues", "estimates", "expects", "intends", "proposes", "might", "may", "will", "shall", "projects", "should", "could", "would", "believe", "predict", "forecast", "pursue", "potential", "capable", "budget" and similar expressions are intended to identify forward-looking statements. Forward-looking statements in this MD&A may include, without limitation, forward-looking statements pertaining to:

- the Company's business objectives and milestones and the anticipated timing of execution;
- the performance of the Company's business, strategies and operations;
- the intention to expand the business, operations and potential activities of the Company;
- geographic diversification and brand recognition;
- preparations to target, upon legalization, new cannabis markets;
- expectations relating to the number of patients in Israel licensed by the MOH to consume medical cannabis;
- expectations of TJAC and MYM on variations of net cost of sales based on the number of pre-harvest plants, after harvest plants, the strains being grown and technological progress in the trimming machines;

- the future impact of the acquisitions of the Israeli Pharmacies and the Panaxia Transaction;
- the expansion of its Israeli sales channels, distribution, delivery and storage capacity, and reach to medical cannabis patients;
- The Company's proposed acquisition of the HW Shinua and the Panaxia Pharmacy Closing and the future impact thereof;
- the future product portfolios of the Group and the Company's ability to export its products, strains and genetics from Canada to Israel and Germany;
- the opportunity and ability to expand in Germany and export to new, legal adult-use recreational cannabis markets in Europe;
- the competitive conditions of the cannabis industry and the growth of medical or adult-use recreational cannabis markets in the jurisdictions in which the Company operates;
- the growth of the Company's brands in the respective jurisdictions;
- the Company's retail presence, distribution capabilities and data-driven insights;
- the competitive conditions of the industry, including the Company's ability to maintain or grow its market share;
- cannabis licensing in Israel, Germany and Canada;
- the anticipated decriminalization or legalization of adult-use recreational cannabis in Israel and Germany;
- expectations regarding the renewal and/or extension of the Group's licenses;
- the Group's anticipated operating cash requirements and future financing needs;
- the Group's expectations regarding its revenue, expenses, profit margins and operations;
- the anticipated Gross Margins, EBITDA and Adjusted EBITDA from the Company's operations;
- the expected increase in revenue and margins in its Israeli medical cannabis market activities arising from its acquisitions
- future opportunities for the Company in Canada, particularly in the premium and ultra-premium segments;
- future opportunities for the Company in Israel, particularly in the retail and distribution segments of the cannabis market; and
- contractual obligations and commitments.

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

- the anticipated increase in demand for medical and adult-use recreational cannabis in the markets in which the Company operates;
- the Company's satisfaction of international demand for its products;
- the Company's ability to implement its growth strategies and leverage synergies of acquisitions;
- the Company's ability to reach patients through e-commerce and brick and mortar retail;
- the development and introduction of new products;
- the ability to import and the supply of premium and indoor grown cannabis products from third- party suppliers and partners;
- the changes and trends in the cannabis industry;
- the Company's ability to maintain and renew or obtain required licenses, permits or authorization related to its domestic and international operations;

- the Company's ability to rely on the export of, creation and maintenance of and maintain a consistent supply of imported cannabis from the Canadian Facilities;
- the ability to maintain cost-efficiencies and network of suppliers to maintain purchasing capabilities;
- the effectiveness of its products for medical cannabis patients and adult-use recreational consumers;
- future cannabis pricing and input costs;
- cannabis production yields;
- the Company being able to continue to drive organic growth from Canadian operations; and
- the Company's ability to market its brands and services successfully to its anticipated customers.

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

- general business risk and liability, including claims or complaints in the normal course of business;
- any failure of the Company to maintain "de facto" control over Focus and/or HW Shinua in accordance with IFRS 10;
- regulatory authorities in Israel viewing the Company as the deemed owner of more than 5% of Focus or licensed entities in contravention of Israeli regulations;
- limitations on stockholdings of the Company in connection with its potential direct engagement in the Israeli medical cannabis market;
- the ability and/or need to obtain additional financing for continued operations;
- the lack of control over the Company's investees;
- the failure of the Company to comply with applicable regulatory requirements in a highly regulated industry;
- unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medial cannabis in Israel, Germany, Canada, or any jurisdictions in which the Company intends to operate;
- the Company's ability to continue to meet the listing requirements of the CSE and the NASDAQ;
- the Israeli government deciding to abandon the decriminalization or legalization of adult-use recreational cannabis;
- any change in the political environment which would negatively affect the prospect of decriminalization or legalization of adult-use recreational cannabis in Israel;
- any unexpected failure of Focus to maintain in good standing or renew its licenses;
- any adverse outcome of the Construction Proceedings;
- any unexpected failure of Adjupharm to maintain in good standing or renew any of its Adjupharm Licenses;
- any unexpected failure of TJAC to maintain in good standing or renew any of the TJAC Licenses or MYM License;
- the reliance on the Canadian Facilities to conduct medical cannabis activities;

- any unexpected failure of TJAC and/or MYM to maintain their facilities in good standing with all applicable regulations, including all required licenses and permits and under the TJAC Leases and the Sublime Lease;
- the Group's ability to maintain ancillary business licenses, permits and approvals required to operate effectively;
- the ability of the Company, following the Trichome Transaction, the MYM Transaction, the Panaxia Transaction and the acquisition of the Israeli Pharmacies, to integrate each entity into the Company's operations and realize the anticipated benefits and synergies of each such acquisition and the timing thereof and the focus of management on such integration;
- any potential undisclosed liabilities of Trichome, MYM, Pharm Yarok, Rosen High Way, Oranim Pharm, and Vironna or other entities acquired by the Company that were unidentified during the due diligence process;
- the interpretation of Company's acquisitions of companies or assets by tax authorities or regulatory bodies, including but not limited to the change of control of licensed entities;
- the ability of the Group to deliver on their sales commitments or growth objectives;
- the Group's reliance on third-party supply agreements and its ability to enter into additional supply agreements to provide sufficient quantities of medical cannabis to fulfil the Group's obligations;
- the Group's possible exposure to liability, the perceived level of risk related thereto, and the anticipated results of any litigation or other similar disputes or legal proceedings involving the Group, including but not limited to the Construction Proceedings and the class action proceedings described herein;
- the impact of increasing competition;
- any lack of merger and acquisition opportunities;
- inconsistent public opinion and perception regarding the use of cannabis;
- engaging in activities considered illegal under US federal law related to cannabis;
- political instability and conflict in the Middle East, Eastern Europe and Ukraine;
- adverse market conditions;
- unexpected disruptions to the operations and businesses of the Group as a result of the COVID-19 global pandemic or other disease outbreaks including a resurgence in the cases of COVID-19;
- the inherent uncertainty of production quantities, qualities and cost estimates and the potential for unexpected costs and expenses;
- the Group's ability to sell its products;
- currency fluctuations;
- inflationary risks;
- any change in accounting practices or treatment affecting the consolidation of financial results;
- the costs of inputs;
- reliance on management; and
- the loss of key management and/or employees.

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

Additional information about the assumptions, risks and uncertainties of the Company's business and material factors or assumptions on which information contained in forward-looking information is based is provided in the Company's disclosure materials, including in this MD&A under "*Legal and Regulatory – Risk Factors*" and the Company's current annual information form under "*Risk Factors*", filed with the securities regulatory authorities in Canada and which can be viewed online under the Company's profile on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

All forward-looking information in this MD&A is qualified by these cautionary statements.

FINANCIAL OUTLOOK

The forward-looking information in this MD&A contain statements in respect of estimated revenues. The Company and its management believe that the estimated revenues are reasonable as of the date hereof and are based on management's current views, strategies, expectations, assumptions and forecasts, and have been calculated using accounting policies that are generally consistent with the Company's current accounting policies. These estimates are considered financial outlooks under applicable securities legislation. These estimates and any other financial outlooks or future-oriented financial information included herein have been approved by management of the Company as of the date hereof. The Company disclaims any intention or obligation to update or revise any future-oriented financial information, whether as a result of new information, future events or otherwise, except as required by securities legislation. Readers are cautioned that actual results may vary materially as a result of a number of risks, uncertainties, and other factors, many of which are beyond the Group's control. See the risks and uncertainties discussed in the "Risk Factors" section and elsewhere in this MD&A and other risks detailed from time to time in the publicly filed disclosure documents of the Company.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

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Exhibit 99.4

Form 52-109F2
Certification of Interim Filings
Full Certificate

I, Shai Shemesh, 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, 2022.

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.

4. ***Responsibility:*** The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings,* for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer and I have, as at the end of the period covered by the interim filings

   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and

      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is Internal Control – Integrated Framework (COSO Framework 2013) published by The Committee of Sponsoring Organization of the Treadway Commission (COSO).

5.2 **N/A**.

5.3 ***Limitation on scope of design:*** The issuer has disclosed in its interim MD&A

(a) the fact that the issuer's other certifying officer(s) and I have limited the scope of our design of DC&P and ICFR to exclude controls, policies and procedures of

(i) N/A

(ii) N/A

(iii) a business that the issuer acquired not more than 365 days before the last day of the period covered by the interim filings; and

(b) summary financial information about the proportionately consolidated entity, special purpose entity or business that the issuer acquired that has been proportionately consolidated or consolidated in the issuer's financial statements.

6. ***Reporting changes in ICFR:*** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on April 1, 2022 and ended on June 30, 2022 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: August 15, 2022

"Shai Shemesh"
Shai Shemesh
Chief Financial Officer

<u>Exhibit 99.5</u>

Form 52-109F2
Certification of Interim Filings
Full Certificate

I, Oren Shuster, 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, 2022.

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.

4. ***Responsibility:*** The issuer’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings,* for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer and I have, as at the end of the period covered by the interim filings

   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and

      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.

5.1 ***Control framework:*** The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is Internal Control – Integrated Framework (COSO Framework 2013) published by The Committee of Sponsoring Organization of the Treadway Commission (COSO).

5.2 **N/A**.

5.3 ***Limitation on scope of design:*** The issuer has disclosed in its interim MD&A

(a) the fact that the issuer's other certifying officer(s) and I have limited the scope of our design of DC&P and ICFR to exclude controls, policies and procedures of

(i) N/A

(ii) N/A

(iii) a business that the issuer acquired not more than 365 days before the last day of the period covered by the interim filings; and

(b) summary financial information about the proportionately consolidated entity, special purpose entity or business that the issuer acquired that has been proportionately consolidated or consolidated in the issuer's financial statements.

6. ***Reporting changes in ICFR:*** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on April 1, 2022 and ended on June 30, 2022 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: August 15, 2022

"Oren Shuster"
Oren Shuster
Chief Executive Officer